

THE AMERICAN TRAVEL PROMOTION ACT

HEARING BEFORE THE SUBCOMMITTEE ON COMMERCE, TRADE, AND CONSUMER PROTECTION OF THE COMMITTEE ON ENERGY AND COMMERCE HOUSE OF REPRESENTATIVES ONE HUNDRED SEVENTH CONGRESS SECOND SESSION

ON

H.R. 3321

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THE AMERICAN TRAVEL PROMOTION ACT

THURSDAY, MAY 23, 2002

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ENERGY AND COMMERCE,
SUBCOMMITTEE ON COMMERCE, TRADE,
AND CONSUMER PROTECTION,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 2123, Rayburn House Office Building, Hon. Cliff Stearns (chairman) presiding.

Members present: Representatives Stearns, Deal, Shimkus, Bryant, Bass, Walden, Fletcher, Towns, DeGette, Harman, and Eshoo.

Staff present: Kelly Zerzan, majority counsel; Brendan Williams, legislative clerk; Jonathan J. Cordone, minority counsel; and Bruce M. Gwinn, minority professional staff.

Mr. STEARNS. Welcome to the hearing on H.R. 3321, the American Travel Promotion Act. We have with us today a distinguished panel of witnesses, and I want to extend a special welcome to the sponsors of the legislation, Congressman Mark Foley from my home State of Florida, and Congressman Sam Farr of California. Thank you both for taking the time to testify before the subcommittee, and we look forward to hearing from you.

As we are on the cusp of the Memorial Day weekend, the holiday weekend that kicks off the summer vacation season, this is a most fitting time to examine H.R. 3321.

As a member of the Florida Congressional Delegation, there is no question that travel and tourism dollars are of critical importance to the Florida economy. State officials predict the number of people visiting Florida in the first quarter of year 2002 will be well below last year's level. Visit Florida, the State tourism marketing agency who is testifying before the subcommittee this morning, estimates that 18 million tourists visited the State in the first 3 months of 2002, a decrease of 4.5 percent from the same period a year earlier. The impact of the September 11 terrorist attack was devastating to an economy like Florida, that depends so heavily on travel and tourism dollars.

In a story that's becoming increasingly familiar, just last month the owners of a newly built 919 room Orlando hotel was forced to file bankruptcy to avoid a public auction of the property after they defaulted on their loan. And, this hotel is not alone in being unable to make their mortgage payments.

The \$957 million in delinquent loans held by the lodging industry in the United States during the first quarter of this year was the highest since record levels started being kept in 1995. Led by

hotels in the Orlando area, Florida held the Nation's highest delinquent loan balance in the industry, accounting for \$177 million of the delinquent loans. Florida's ranking was caused primarily by Orlando area hotels which saw occupancy rates plummet by nearly 25 percent in October and November of last year, compared to the same time in the year 2000.

Although the tourist industry has been hit hard, the decline of Florida tourism has ripple effects that have spread well beyond just the travel industry. For instance, some Florida school boards are now facing teacher furloughs to ease a budget crisis following legislative spending cuts after the September 11 attacks hurt tourism tax revenues.

In order to kick start the tourism industry across the country, my colleagues Representatives Foley and Farr introduced H.R. 3321. This bill creates a State grant program of \$100 million, operated through the Department of Commerce so States can fund advertising campaigns to promote tourism. Every State and territory would be eligible for funds under this bill, and travel offices would have complete autonomy in spending the money as long as it is directed toward travel promotion advertising.

So, I look forward to hearing from our sponsors and our witnesses today, who represent all facets of the travel and tourism industry, and, of course, I thank you for appearing and I call on the distinguished ranking member from New York, Mr. Towns, for his opening statement.

Mr. TOWNS. Thank you very much, Mr. Chairman.

I would like to welcome our witnesses today, especially Jeffrey Stewart from Loews Hotels Corporation in New York City, and my colleague, Congressman Farr from California, and, of course, Congressman Foley from the State of Florida.

In the wake of all that has happened to our country, and in my home State New York since last September, I'm pleased that both Mr. Farr and Mr. Foley have come together to draft a piece of common-sense legislation. It is my hope that we can mark this bill up as soon as possible and get it over to the Appropriations Committee, so that this \$100 million can be used by States to promote tourism within their borders.

I applaud the efforts of the elected officials on the State and local level who have worked hard to assist the companies that are having problems. I also want to express my sympathy to the many workers who have lost their jobs as a result of the tragedy. We want everyone to start traveling again, and, of course, New York should be your first stop or spot that you visit. I do not want to be greedy, so go to Florida, and also New Orleans, and California too, it will not only be an enjoyable time for you and your family, but will help those who are in need.

Again, I thank you, Mr. Chairman, for holding this hearing, and I look forward to hearing our witnesses, because I think that this is a very important piece of legislation, that we need to get people traveling again, and we need to people out of their homes, and the way to do it is to have an incentive and, of course, this bill will provide that incentive.

I yield back.

Mr. STEARNS. I thank my colleague.

Mr. Shimkus?

Mr. SHIMKUS. Thank you, Mr. Chairman.

As Mr. Towns knows, I lived 4 years in New York, and spent many times in the city, but I met the love of my life in beautiful Monterey, California, which is the home of our colleague and friend, Sam Farr, and so I may take issue with some of the comments you have made. Neither of those is as beautiful as the 20th District of Illinois, though, so we would invite you all to come visit us there in the corn and soybean fields.

Much of the Nation has been hurt because of September 11. We know there's been and the economy is still low to recover. It's important to look at all avenues that we can be helpful for economic growth and development. Tourism is a major part or really anybody's district these days, if they want to diversify their economy tourism is key.

So, I think this hearing is important, and I look forward to listening to our colleagues and the second panel, and I yield back my time, Mr. Chairman.

Mr. STEARNS. I thank my colleague.

[Additional statement submitted for the record follows:]

PREPARED STATEMENT OF HON. W.J. "BILLY" TAUZIN, CHAIRMAN, COMMITTEE ON
ENERGY AND COMMERCE

Thank you, Chairman Stearns, for calling this hearing today on H.R. 3321, the "American Travel Promotion Act." This hearing is particularly timely as we head into the summer travel season and families begin to make their vacation plans.

My home state of Louisiana, like many other states that depend on tourism dollars, has been hit by the tragic events of September 11th, as well as the resulting economic downturn in this country. The boat cruises, swamp tours, riverboat gaming, Mardi Gras, and Jazz Fest continue to lure travelers to the Bayou State, but there has been a noticeable downturn in the number of people who are willing to make the trip since the terrorist attacks.

Last October, in order to entice visitors back to the state, the Louisiana Office of Tourism began its "New Louisiana Purchase Value Package Program" advertising campaign. The ads cleverly depict Louisiana as a great value, ever since its purchase from France—for less than 3 cents per acre—in 1803.

With more people traveling by car instead of air, the "New Louisiana Purchase Value Package Program" campaign targets Louisiana's neighboring states—Texas, Arkansas, Mississippi and Georgia. Louisiana dedicated more than a million dollars for this campaign, which included TV, newspaper and Internet media to convince potential visitors that Louisiana's attractions are open and ready to receive visitors.

It is precisely travel promotion campaigns like this that H.R. 3321 is designed to enable. Certainly, for states like mine, which depend on the dollars that flow from tourists, H.R. 3321 will allow states to undertake the media campaigns necessary to get their tourism industries back on track—and to flourish.

I look forward to hearing from our witnesses today, and in particular, I want to thank the sponsors of the legislation, Congressman Mark Foley (of Florida) and Congressman Sam Farr (of California) for coming before the Subcommittee this morning. Thank you gentlemen, and thank you, Mr. Chairman, for bringing H.R. 3321 to the attention of the Committee.

Mr. STEARNS. Mr. Farr, we'll start with you. Appreciate your opening statement.

**STATEMENTS OF HON. SAM FARR, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF CALIFORNIA; AND HON.
MARK FOLEY, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF FLORIDA**

Mr. FARR. I thank the committee for having this hearing.

I've been in Congress just about 10 years now, and this is the first time that a committee has really focused on trying to help out the tourism industry, which I think is the root of all economic development in the United States, because we are talking about restaurants, we are talking about movie houses, we are talking about the things that are on Main Street of almost every town in the United States, as well as hotels, and parks, and travel agents, and bus tour operators, and bed and breakfasts, and so on.

I would also like to commend this committee, because many of your members are members of the Tourism Caucus, of which Mark Foley and myself are co-chairs, and we've been a really great bipartisan working group trying to focus in on the attention that we need to give to being a partner with State and local governments.

I think this legislation is critical to the travel and tourism industry. You all know that it really is America's largest industry, it employs 19 million people in each and every congressional district in the United States has some of these employees and the territories of this country. It's really the backbone of our communities, it's the mom and pop industries, and that industry was, because travel is so dependent on it, whether it's automobile travel, or bus travel, train travel, or airline travel, September 11 just devastated it. People lost confidence in wanting to really go out and about, and particularly that confidence was lost in the safety of air travel. And, therefore, the ability of people to participate in the tourism industry has really been hurt.

The first responders to the cause really were State and local governments, and many which in this sort of recession era have had a tough time coming up with enough resources. California is a State of 33 million people, and long ago the State realized that if they could just 33 million people to get out of their house and move about 40 miles a day, and that's what the definition of a tourist is, somebody who is 40 miles away from home, then dependent on local restaurants or dependent on another gas station or whatever, that you can really stimulate the economy.

So, California began an aggressively marketed intrastate tourism promotion. It employs about 1.1 million people in the travel and tourism industry, and it launched a \$6 million ad campaign using State funds, and California got Jack Nicholson, Clint Eastwood, and Robin Williams, to help participate in these promotions ads.

New York City, Mr. Towns' hometown, did the public/private partnership. They produced ads featuring the New York Miracle, and they started with Mayor Giuliani, and Robert Deniro, and Billy Crystal.

The travel industry of America raised more than \$15 million to produce an ad that I think we all saw, which featured President Bush, and I understand that that ad was seen by more than two thirds of American consumers, and that ad was essentially to bring confidence back to people to use the airlines.

I'd also like to recognize Fred Lounsberry, who is the National Chair of the Travel and Tourism Association, and I know he's going to be testifying on this bill on the industry's behalf. He's done a tremendous job of bringing attention and need to it.

But now, it's been more than 8 months since the attacks. State and local governments, as well as private industry, have, essen-

tially, come together to kind of aid the devastated industry, but it needs more, and that's what I'd like to specifically focus on what this bill before you does.

The American Travel and Promotion Act, otherwise known as the ATPA, would provide a much needed infusion of Federal assistance to States and territories by creating a dollar-for-dollar matching grant program. The legislation establishes a formula whereby State and travel tourism offices can apply for matching funds based on the amount of money they spent on tourism promotion in the year 2002. That way, it won't take, you know, those States that just put in new money wouldn't be sort of at an advantage over other States. So, we go back to the 2002 formula, and that's where we actually have data from that year anyway.

In addition to that, the bill establishes a \$100,000 floor, so that States that do not have large promotion budgets can access these funds. After 9 months, if there's any unused funds in this account, they would be returned to the Treasury, so this is just, you know, a one-time stop gap.

The American Travel Promotion Act is co-sponsored by 63 of your colleagues, but it impacts all 435 congressional districts. We believe it's a balanced, fair and equitable response to the financial distress that many of our constituents who are employed in the travel and tourism industry are experiencing as a result of the horrific events of September 11.

We have, essentially, bailed out the airline industry with the help of the re-insurance, now it's time, I think, to offer a helping hand, not a handout, but a helping hand, to many of our segments of the travel and tourism industry, and I would encourage you to favorably report out the bill.

I might add, too, that a lot of our colleagues are from rural States, and I'm from a rural part of California and it's all well known for its dramatic coastline and places like Carmel, and Pebble Beach, and Monterey, and Big Sur Coast, but I also represent the Salinas Valley, and it's an area where all your produce comes from. And, what's happening in the agricultural area is there's a real interest in starting this what they call agricultural tourism, of really getting people into Rural America, of recapturing our history, or interpreting it better, of showing people who have lived in cities actually how our crops are harvested, what the process goes through, making it really exciting, and offering, you know, the old dude ranches are now having people just come down and live with families that are in farming. And, that kind of activity needs always a little promotion. It's probably the least-it gets the least attention, but probably has the greatest impact on those communities in the rural areas.

So, bills like this will help stimulate getting money to where the problem is, and I really think it's necessary that this Congress get this bill to the President.

Thank you very, very much.

[The prepared statement of Hon. Sam Farr follows:]

PREPARED STATEMENT OF HON. SAM FARR, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF CALIFORNIA

Chairman Stearns and Ranking Member Towns: As co-chairman of the Travel and Tourism Caucus I would like to recognize Representatives Bono, Deal, Cubin,

Deutsch, Doyle, Pitts and Waxman as members of this subcommittee who are also members of our caucus.

Thank you for holding a hearing on the American Travel Promotion Act. Passage of this legislation is critical to the travel and tourism industry, which employs more than 19 million people in each and every congressional district in the United States and the Territories. The jobs I am referencing here are those that make up the backbone of our communities—the “mom and pop” businesses in all our districts like the car rental companies, local historic and cultural museums, parks and recreation facilities, local travel agents, bus and tour operators, and even the yearly senior high school trips.

The travel and tourism industry was devastated by the September 11th attacks. The loss of confidence in the safety of airline travel had a tsunami effect not only the airline industry to which the Congress provided assistance, but also each and every sector of the travel and tourism industry. With an industry that generates \$100 billion in tax revenue for local, state and federal governments, the impact of the terrorism attacks on New York, Washington, D.C. and Pennsylvania was felt across the nation.

In an effort to stimulate travel, a number of states begin to aggressively market intra-state tourism. In my home state of California, which employs more than 1.1 million people in the travel and tourism industry, Governor Davis launched a \$6 million ad campaign using state funds to promote travel among Californians within the state. As the nation's top vacation destination, the impact of declining travel and tourism revenues was a significant loss to the state coffers. Restoring the confidence of Californians to travel within California is the cornerstone of a modest upswing in increased tourism revenue for the state.

In New York a public-private partnership produced ads featuring the “New York Miracle” and starred Mayor Giuliani, Robert DeNiro and Billy Crystal, to name a few. The Travel Industry Association of America produced an ad featuring President Bush encouraging Americans to travel. The industry raised more than \$15 million to produce and air that ad that was seen by more than two-thirds of American consumers. Fred Lounsberry, the National Chair of the Travel Industry Association is to be commended for his exceptional work on behalf of the industry.

It has been more than eight months since the attacks. State and local governments as well as private industry have come together to aid an industry that was severely damaged by the terrorist attacks. It is time for the federal government to help the nation's third largest retail sales industry recover.

The American Travel Promotion Act (ATPA) would provide a much needed infusion of federal assistance to states and territories by creating a dollar for dollar matching grant program. H.R. 3321 establishes a formula whereby State travel and tourism offices can apply for matching funds based on the amount of money they spent on tourism promotion in calendar year 2000. This would allow states like Hawaii and California to receive an amount equal to the percentage of what they spent on travel promotion compared to what was spent nationally. In addition, the bill establishes a \$100,000 floor so that states that do not have large promotion budgets can access these funds.

Mr. Chairman, the American Travel Promotion Act is co-sponsored by 63 of our colleagues but will impact the districts of all 435. H.R. 3321 is a balanced, fair, and equitable response to the financial distress that many of our constituents who are employed by the travel and tourism industry are experiencing as a result of the horrific events of September 11. We have bailed out the airline industry. Now it's time to offer a helping hand, not a handout, to the many other segments of the travel and tourism industry. I urge this subcommittee to favorably report out this bill.

Mr. STEARNS. I thank you.

At this point, I think we've called our colleague, Mr. Foley, but I think we'll just open for questions.

Mr. Farr, I just had a few here that you could help explain. You know, I support your bill, and I think it's a great idea. Have you talked to the Department of Commerce at all about this bill?

Mr. FARR. Yes.

Mr. STEARNS. And, what was their reaction?

Mr. FARR. They are supportive of us. You know, the Department of Commerce oversees the responsibility of travel and tourism. This is what we were trying to do with the Economic Stimulus Package, this is one of the areas that was always up there on the top of the

list, to try to get money in the Economic Stimulus Package. However, I think it was a decision of the Chair of the Ways and Means that it shouldn't be in that package at that time. So, we are going through the bill process to get there.

Mr. STEARNS. A lot of people will say, well, after 9/11 the tourist industry is coming back. A lot of States have instituted it, and so it's making a comeback, so financial assistant isn't needed. What would you reply to that?

Mr. FARR. Well, I disagree. I don't think that we do very much public promotion of tourism, and yet it's the biggest industry in America. There isn't another country, competitive country, I'm going to Spain over the break, Spain is the No. 1 most country visited now in travel, and it just spends a lot of money, of Federal money, advertising Spain. You see these ads for Mexico and the islands, you don't see those kinds of ads for the United States.

What we try to do with public money is, we think, obviously, destination resorts have their own resources to do that, and the private sector can do a good job, but it's that kind of generic advertising that goes a long way, of just showing people that there are opportunities here at home.

Americans, you know, and I have a stronger feeling about it, I really believe that if you talk to people who come from other lands, they don't come here to meet their congressmen, they come here to see the majestic beauty of our country, including our urban cities, and our rural, and our beautiful national parks. The land speaks for America, and it's such a diverse continent that it's so exciting and dramatic that people come here, but while they are here they don't just shop with their cameras and their pocketbooks, they shop with their eyes about how people do things.

I live in Carmel, California. An example of that, as the Mayor told me, it's kind of shocking, he said that the No. 1 request that the city of Carmel gets from tourists is requests for a copy of the zoning code. Now, that points out, you know, they come to this town, it's a cute little town, and they look around and they sort of say, well, why can't we do things like this in our town, and so I think that really if you are going to sell the American culture, and the American spirit, and the American people, we've got to promote it. And the only way we really can promote it is in trying to get people out and about, and this is the way we do it.

I think it's long overdue. I mean, we ought to have a program, you know, we had a tourism promotion program for a while that was lousy, because it wasn't focused. This way, in this bill, we don't go out and set up a Federal agency to do the advertising, we rely on those who are really knowing the niche markets, and know how to get advertising in, and they can't use those advertising dollars to advertise for private gain. So, it will be generic advertising for New York, or generic advertising for Florida, or specific parts of Florida, or California, or any of the other States here.

Mr. STEARNS. So, you are saying that if they went to New York they couldn't use it all for New York City, huh?

Mr. FARR. Well, it would be for the State of New York and probably you have in New York probably a State tourism promotion program, and many of your local chambers of commerce—

Mr. STEARNS. But, the State would decide where it would go, or is it in the bill that it's determined, as you say, generic for all the state, or could the State decide based upon population and tourism it could be accented toward one particular area of the State or not.

Mr. FARR. Well, as I understand the bill, they can be applying for the Federal match monies. They would have to put up their local match, and it's competitive. And, you could have probably both the State of New York and the city of New York apply for it.

Mr. STEARNS. All right, that takes care of my questions.

Mr. Towns?

Mr. TOWNS. Thank you very much, Mr. Chairman.

Let me just say right up front, you know, I support the legislation, but I'd like to know, what do I say to the people who will say to me, look, this should be better left up to the States rather than for you guys to be involved in it, what do I say to them?

Mr. FARR. Well, it is left up to the States. They have been doing this long before the Federal Government has ever offered to be of assistance, but what we are trying to do, and why it's important that we do this with Federal money, is we are trying to really get Americans to travel in America. I think that there's a feeling right now that it's probably the safest place to travel, but there's got to be some encouragement. This is a Federal responsibility, to get people out and about throughout the 50 States, and to get them to our territories that we are responsible for.

I don't think any one state, any one community, can do that. You can't do that for the whole America. This really gets, you know, I think, America focused on America, and that is not the responsibility of New York City or the State of New York.

Mr. TOWNS. How do you arrive at the figure of \$100 million?

Mr. FARR. Pardon me?

Mr. TOWNS. How did you arrive at the figure \$100 million?

Mr. FARR. Well, I asked my fiscal conservatives to the left how much money do you think it would take to stimulate this.

Mr. SHIMKUS. Good answer.

Mr. TOWNS. Okay, thank you very much.

I yield back on that note, Mr. Chairman.

Mr. STEARNS. Mr. Shimkus has just stepped out.

Mr. Deal?

Mr. DEAL. In calculating the dollars that are spent under the charts that we've been provided, is that just money that is allocated through a state's budget for generic advertising of tourism within their state? I assume it does not count like local chambers of commerce that may have travel and tourism budgets, and it does not count private entities advertising for tourists, it's just what the State spends, is that the way it's calculated?

Mr. FARR. The only figures I think we have are the figures that are offered by State offices of tourism, and normally what happens, I mean, did you know the city of Vienna spends more money than almost anyplace in the country just to advertise anyplace in this country.

What we have are figures of public money, not private money, but in most cases they are encouraged to match. What we have done in California, much like we have, you may be familiar with the agriculture marketing programs—

Mr. DEAL. Right.

Mr. FARR. [continuing] we have created a tourism marketing program in California, where we assess all of the tourism industry, that whole list that I read earlier of all the people that participate, and they put up money of their own, they assess themselves. And then, the State of California appropriates about \$7 million a year to be matched with the private sector amount, and it's all generic advertising. It does not go to a specific resort of specific brand name.

Mr. DEAL. But, when you calculate what your State spent, you don't calculate the amount that was collected like at the local level through a hotel/motel tax and allocate it, it's purely what the State itself appropriates.

Mr. FARR. This had to be an expenditure by the state, not through their agents, or subsidiaries, or private concerns.

Mr. DEAL. That's what I want to be sure about.

Thank you.

Mr. STEARNS. I want to welcome my colleague from Florida, and we are just going with questions.

Ms. Eshoo of California?

Ms. ESHOO. Good morning, Mr. Chairman, and good morning, everyone. I want to welcome my wonderful colleague here this morning to talk about their bill, and thank you for the hearing.

Let me say something about my colleague from California, Sam Far, and I could go well beyond the time allotted to me talking about him, but let me just say to my colleagues that the issue of tourism, and the promotion of it as part of our national economy and the well-being of our States and our communities, is something that he has worked on all of his public service life. This is not something that he fell upon or came upon since the tragedy that befell our country. He has really worked on and knows, I think if there's anyone in the Congress that knows anything about this issue, Sam Farr knows the most.

And so, I think that as we review what our colleagues are offering to us, that we not think of it, sometimes I think we think of tourism as something that's frivolous, it's not.

It's something that we have to pay special attention to, one of the first things the Congress did after our Nation was attacked was to do something for the airlines. We recognized that that is an integral part of our Nation's economy.

So, I think that this needs to be seriously considered, and that we work with our colleagues from this committee, to do something very important for our country. We know that we take votes every year in our Nation's budget to help promote our Nation's products abroad. This is something that's going to help our States and our country rebuild and give our people the confidence that they need, and I do think that people are paying attention to things that are closer to home.

As I travel abroad, I always talk to my friends, and my colleagues, and my family about all of the places in our own country that I haven't traveled to, enjoyed, and seen, so I think that this is a very important effort that our colleagues have brought forward to us, and I want to thank them for that.

I have a question about, now as we say \$100 million, we all wish we had that in our checking accounts, but when you think of how many States we have, and you apportion these dollars out, that's not a lot of money for each state. California and Florida, if you took the population of those two States that is overwhelming. In California, it's 34-35 million people, and I think you've all either traveled to or want to travel to both our colleagues' States.

Sam Farr represents one of the great treasure areas of our Nation. People come from all over the world to Carmel and to Monterey. So, we have a lot to brag about to our people, and I think these dollars would be very well used in promoting what America can show off to its own people.

In 1995, the Congress, I believe, eliminated the Travel and Tourism Office in the Department of Commerce. Is that still the case? Do we know?

Mr. FOLEY. I'm sorry, we were just sharing one piece of the legislation.

Ms. ESHOO. Oh, that's all right.

Mr. FOLEY. Please—

Ms. ESHOO. I know, you were saying to each other what wonderful things I was saying.

Mr. FOLEY. Well, no question, and we were thanking you for the tourist promotion acknowledgment of our state. We like to kid, he represents Pebble Beach, I Palm Beach, so we have great destinations.

Ms. ESHOO. That's quite a set of book ends, that's terrific.

No, I was asking or commenting that it was my understanding that the Travel and Tourism Office in the Department of Commerce was eliminated by the Congress in 1995. Is that still the case?

Mr. FOLEY. That is the case. It no longer exists.

Ms. ESHOO. I'd also like to note that this effort represents a 9-month program.

Mr. FOLEY. Correct.

Ms. ESHOO. So, this is not something that we would set into motion and that it would continue out ad infinitum, and that we could review with the States and the appropriate offices what has come about as a result of our national effort.

I don't have any other questions, but I'd like to thank my colleagues for doing the work that they are doing. It's great to have you before us, and if you'd like to make some additional comments—

Mr. FOLEY. I did want to comment, because Sam and I have been very careful, we did not want to embark on a program without some guidelines. And, we, basically, used the state's prior spending to ensure, No. 1, that they had a market promotion program in place. We also provided, though, in this bill at least a base of \$100,000 for States that may not have had a program in place. We don't want—

Ms. ESHOO. So, it encourages them.

Mr. FOLEY. [continuing] We don't want to discriminate against States that may not have, but we also recognize the efficiency of those States that may have had in place, prior to September 11, an active marketing program.

This is less than we spent on market access programs for agricultural goods and services around the world. One thing for certain, the Federal Government's investment in this \$100 million account will reap substantial benefits to the Treasury. One thing we know for certain, tourism not only has dropped off, but so have rental cars, restaurants, things that are ancillary to the travel and tourism industry. If we are able to ratchet up those opportunities, then the payroll dollars will flow and we will see more dollars both local, State and Federal coffers.

Ms. ESHOO. Well, I think it's a smart effort, because it leverages dollars. It optimizes what's already there. So, we are not starting from scratch, it's not an unending program, it has a 9-month parentheses around it, and it builds on what is already in our States, and I think that it's an important economic tool that we are hearing about this morning.

So, thank you, Mr. Chairman, and I thank my colleagues, and I'm proud of you, Sam.

Mr. STEARNS. I thank my colleague.

Just to answer further her question about the U.S. Travel and Tourist Administration, it was closed. The office was reopened within the Trade Development. It is focused on policy planning and research. The office had its own Deputy Assistant Secretary, it does not, all of its overseas employees were put into the Foreign Commercial Service, just for information.

Mr. Shimkus?

Mr. SHIMKUS. I'd like to welcome Mr. Foley for attending the hearing, and I have no questions.

I yield back.

Mr. STEARNS. Okay.

Ms. Harman?

Ms. HARMAN. Thank you, Mr. Chairman.

I want to tell our witnesses that I go to Palm Beach and Pebble Beach as much as I can, so I am doing my part.

Mr. STEARNS. Thank you.

Ms. HARMAN. But, I also think that they are doing their part. I have held off on supporting this legislation, not because I don't support its thrust, but because I was worried about additional spending.

Having heard the debate and listened to the significant comments of our colleague, Ms. Eshoo, I think this is worth supporting, and I want to announce that I support the legislation.

I also support the Market Access Program legislation for similar reasons. I represent LAX and the communities around LAX, and since 9/11 the place has been absolutely devastated. I understand that there are at least 41,000 people out of work, hotels and restaurants still see only a fraction of the business they did prior to the tragedy. Air traffic is down 12 percent. Overnights at hotels near LAX have only returned to half of their pre 9/11 levels, and in addition to all that the decline in the commercial satellite industry has resulted in thousands of layoffs by aerospace companies, all of which are located in the area.

So, I think that many communities around the country are in the same shape as mine, and we don't have Palm Beach or Pebble Beach, and a 9-month program, and the signal that it sends, is a

very smart idea, and I want to thank your witnesses and thank you for holding the hearing.

Mr. STEARNS. I thank the gentlelady.

Mr. Bass, the gentleman from New Hampshire.

Mr. BASS. Thank you very much, Mr. Chairman, and I can't go through a hearing on tourism without bringing attention, of course, to there is a Pebble Beach and Palm Beach, but there's also Hampton Beach and Weir's Beach as well which need adequate recognition.

I also want to mention, if I might, there was a story this morning on NPR about the Mountainview Grand Hotel in the North Country that was renovated after having been essentially abandoned for a couple of decades, opened yesterday, a \$20 million investment. From the Mountainview Hotel you can see 57 mountains, which is fairly extraordinary.

I want to commend the sponsors for this action. I certainly support the bill.

I have one question. Many States spend money on promoting tourism, and they also, some of them at least, spend money trying to attract tourism from abroad. If you have a bill that is a formula grant for States, does this not just provide money for States to compete against one another versus possibly having a program whereby States were encouraged to attract tourism from other markets outside the U.S.?

Mr. FOLEY. We didn't set a parameter for that, because we think it's important to get people to travel no matter where they are coming from, including internal destinations. So, in a State like New Hampshire, where I will be this weekend at Lake Winnepesaukee would allow, and, in fact, invite them to compete in the global market, to attract people from Europe and other destinations.

Europe has been very, very creative, as have other countries, in trying to lure our tourists across the pond to visit their countries. That's why we wanted to provide this same opportunity in the reverse direction.

It would be important to note as well that after September 11 we found a lot of people now more interested in traveling domestically, finding locations within the United States they hadn't considered before, now finding themselves more comfortable traveling within the continental United States.

Mr. FARR. You'll also find that State and local tourism promotion groups target certain areas. For example, northern California targets Canada during the winter months. Usually, you try to promote tourism at your opportune times, and sometimes that's at the off season, so I don't think you are really robbing Peter to pay Paul, stealing tourists from other States. People are going to travel, the question is, are they going to travel abroad or are they going to travel domestically, and if they travel domestically, or if they are not even going to travel very far, is there opportunities here at home?

As I say, most States find that the best advantage of trying to get people out and about is in their own state.

Mr. BASS. I thought you were going to tell me you were going to be in New Hampshire this weekend.

Thank you very much, Mr. Chairman.

Mr. STEARNS. I thank my colleague.

Mr. FARR. I'll fly over New Hampshire.

Mr. STEARNS. Ms. DeGette.

Ms. DEGETTE. Thank you, Mr. Chairman.

I'd like to add my words of congratulations to the sponsors of this legislation, which I have now cosponsored. It's very important to many States, including my State of Colorado, of course.

I'd like to ask unanimous consent to put my opening statement in the record, Mr. Chairman.

Mr. STEARNS. By unanimous consent, so ordered.

Ms. DEGETTE. And, just to make one point, which is that in the 1990's, facing economic downturns, Colorado eliminated its tourism office. If you can imagine that. And, they thought, well, it's Colorado, everybody will just come here because it's Colorado. And, what they found, after they actually stopped spending money directly through the government to promote tourism, tourism, not mysteriously, dropped down.

So, in 2000 Colorado reestablished its Office of Tourism, and is now spending State funds again. Because, of course, we now realize how important it is for us to attract tourism.

And so, I see efforts like this legislation along the same lines, to have the U.S. Congress say let's promote domestic tourism all around the country.

And, just to make a little pitch, I myself will not be in New Hampshire this weekend. I'll be in the beautiful State of Colorado. We have 58 mountains over 14,000 feet; we have 222 State wildlife areas, and many, many wonderful opportunities in the summer, as well the winter. So, I would invite the sponsors and the rest of the committee to come share those summer opportunities with us, and I yield back the balance of my time.

Mr. STEARNS. I thank the gentlelady, and we will recess just to vote.

Mr. Foley, I welcome and invite you to offer your opening statement as part of the record.

Mr. FOLEY. Yes, I will. Thank you very much, Mr. Chairman.

Mr. STEARNS. By unanimous consent, so ordered.

[The prepared statement of Hon. Mark Foley follows:]

PREPARED STATEMENT OF HON. MARK FOLEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. Chairman and members of the committee, I would like to thank you for holding a hearing on the American Travel Promotion Act, HR 3321.

It is easy to equate tourism with Florida or California, but travel and tourism affects every area with an airport, hotel, restaurant or highway—in short, virtually every district represented in Congress.

In the wake of September 11th, Congressman Sam Farr and I, as co-chairs of the Congressional Travel and Tourism Caucus, began meeting with the various segments of the Travel and Tourism Industry to evaluate the impact of the terrorist attacks on the second largest industry in the United States.

I will leave the details of the impact of September 11th to the panels that follow me today. But I will say the result has had a profound impact on states whose economies rely heavily on tourism like my own state of Florida.

From the many proposals that were suggested by each of the groups, the one constant message was that more advertising was needed to communicate with the traveling public.

This posed an interesting question: How much money would it actually take to have a true impact nationwide on the state of travel and tourism.

My office contacted an international advertising firm with an office here in Washington and we asked them that exact question.

The product of the information they returned to my office became the basis for the American Travel Promotion.

We worked with the many segments of the travel and tourism industry to craft this legislation and as a result we have bill that we feel is both effective and efficient—and at very little relative cost to the government for the impact it will have.

The American Travel Promotion Act would provide \$100 million for a 50/50 grant program to state and territory travel and tourism offices to promote travel and tourism through advertising.

The legislation establishes a formula where state and the territory travel and tourism offices would be eligible for funding based on the amount of money spent on advertising in 2000—a percentage of the total national travel and tourism advertising expenditures.

For example: Florida spent \$10 million in 2000 on advertising out of \$168 million dollars spent nationally, or approximately 6 percent.

They would then be eligible for 6 percent of the \$100 million—or \$6 million.

This formula, administered by the Commerce Department, would ensure that every state and territory would know exactly how much money they would be eligible for without having to compete with other states for the funding.

States and territories that do not spend as much as Florida or Hawaii would be eligible for a base amount of \$100,000.

This “floor” would ensure that every state and territory would have access to funds, regardless of their relative percentage to national expenditures on travel promotion advertising.

As the legislation is drafted, the program would be open for 9 months, beginning on the day of enactment with all excess funds returning to the Treasury after that period.

This program is meant to be a shot in the arm for travel and tourism, not an entitlement program.

State and territory travel and tourism offices would have complete autonomy in spending the money as long as it was directed toward travel promotion advertising as defined in the legislation.

The 63 copponsors and the many organizations that have endorsed this legislation—including the Travel Industries of America, Travel Business Roundtable, Restaurant Association, numerous individuals states including Florida and Nevada, the National Tour Association and the Southern Governors’ Association to name a few—all believe this is a viable and important way to assist the Industry in getting back on its feet.

Again, thank you for holding a hearing today and I urge your quick action on this matter.

THE BIPARTISAN AMERICAN TRAVEL PROMOTION ACT

Solution:

- ATPA would provide \$100 million for a 50/50 grant program to state and territory travel and tourism offices to promote travel and tourism through advertising.
- This legislation establishes a formula where state and the territory travel and tourism offices would be eligible for funding based on the amount of money spent on advertising in 2000 (a percentage of the total national travel and tourism advertising expenditures). For example: Hawaii spent \$12 million in 2000 on advertising out of \$168 million dollars spent nationally, or 7 percent. They would then be eligible for 7 percent of \$100 million or \$7 million.
- Every state and territory would be eligible for a base amount of \$100,000. This “floor” would ensure every state and territory would have access to funds, regardless of their relative percentage to national expenditures on travel promotion advertising.
- The program would be open for 9 months, beginning on the day of enactment with all excess funds returning to the Treasury after that period.
- The program would be administered through the Department of Commerce.
- State and territory travel and tourism offices would have complete autonomy in spending the money as long as it was directed towards travel promotion advertising as defined in the legislation.

Problem:

The September 11 attacks, combined with an already weak economy, hit the travel and tourism industry particularly hard. In the fourth quarter of 2001, forecasting

predicts a 12 percent decrease in business travel and a 9 percent drop in pleasure travel, compared to the same period in 2000.

In 2000, the U.S. travel industry received \$584.3 billion, including international passenger fares, from domestic and international travelers. These travel expenditures, in turn, generated 7.8 million jobs for Americans, with \$173.7 billion in payroll income, and \$100 billion tax revenues for federal state and local government.

Projections foresee a \$43 billion loss in spending by domestic and international travelers during 2001.

Total domestic travel volume by Americans is expected to decrease 3.5 percent and total inbound arrivals are projected to decline nearly 13 percent for fullyear 2001.

Total domestic and international travelgenerated employment is expected to show a dramatic decline in 2001. According to recent reports, 453,500 jobs directly related to travel and tourism will be lost this year, down 5.6 percent from 2000. An additional 74,000 jobs will be cut in 2002 for a twoyear total of 527,400 jobs lost from 2000 levels.

Source: Travel Industry Association of America

Mr. STEARNS. And, Mr. Farr, I want to thank you very much, both of you, for coming, for a great bill.

The committee will recess until we vote, and we'll come back and start with the first panel.

[Brief recess.]

Mr. STEARNS. We are set to reconvene, and we'll have our second panel, and we appreciate all of them waiting, and if we can just have someone close the door there that would be helpful.

We have Frank Nocera, Executive Vice President and Chief Operating Officer of VISIT FLORIDA, and we have Michael Sternberg, President, Sam & Harry's in Vienna, Virginia, on behalf of the National Restaurant Association. We have Mr. Fred Lounsberry, Senior Vice President, Sales, Universal Studios Recreation Group, on behalf of the Travel Industry Association of America, and Mr. Jeffrey Stewart, Vice President, Communications & Public Affairs, Loews Hotels, in New York City. Welcome, all of you, and we would like your opening statement, and we'll start, Mr. Nocera, we'll start with you.

STATEMENTS OF FRANK L. NOCERA, EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER, VISIT FLORIDA; MICHAEL STERNBERG, PRESIDENT, SAM & HARRY'S ON BEHALF OF THE NATIONAL RESTAURANT ASSOCIATION; FRED LOUNSBERRY, SENIOR VICE PRESIDENT, SALES, UNIVERSAL STUDIOS RECREATION GROUP ON BEHALF OF THE TRAVEL INDUSTRY ASSOCIATION OF AMERICA; AND JEFFREY D. STEWART, VICE PRESIDENT, COMMUNICATIONS AND PUBLIC AFFAIRS, LOEWS HOTELS

Mr. NOCERA. Thank you, Chairman Stearns, and thank you for the opportunity to appear before you this morning, and I would offer a special thanks to Congressmen Foley and Farr for sponsoring the American Travel Promotion Act.

I come before you today to speak in favor of the bill. My name is Frank Nocera. I am the Chief Operating Officer of VISIT FLORIDA, the not-for-profit tourism marketing corporation which markets Florida worldwide. VISIT FLORIDA is the service company for the Florida Commission on Tourism, a public/private partnership with State government.

As has been said so well earlier today, Florida's tourism economy was very badly hurt by the events of September, and has yet to fully recover. While we are seeing some slow improvement, Florida

is a very long way from seeing the 73 million visitors we hosted in the year 2000, or the \$50 billion in tourism retail sales of that year, or of full employment for the 850,000 Americans who work in Florida's tourism industry.

Three tools are available to return vitality to the Nation's and to Florida's tourism industry, time, patriotism and creative marketing. We cannot wait for the passage of time. We have hotels who cannot pay their taxes. We have, as we heard earlier, hotels that are in bankruptcy. We have hotels that are defaulting on their loans. We have tourism industry workers still unemployed.

As we heard earlier, our State government has had to cut services to its citizens due to a lack of tax revenues from our visitors. We cannot wait for time to resolve the issue.

Patriotism was an excellent motivator in the early months. President Bush, our Governor, Jeb Bush, and many major political and popular figures from around the country went on radio and television to urge Americans to return to normal, to travel, to not be afraid. And, Americans did listen and began traveling again, if tentatively.

But, patriotic messages alone are not enough. Today, 16 percent of Americans are still reticent to travel. That's 18 million American households.

Creative tourism marketing is now the tool of choice. In September, Governor Bush and the Florida Commission on Tourism led the charge by tapping our \$2 million Economic Risk Fund. VISIT FLORIDA quickly took this money and turned it into an instate and regional cooperative advertising campaign with Florida's tourism industry. In December, Governor Bush, with the approval of the Florida legislature, redirected \$20 million of his economic development budget to provide a cash infusion for the tourism industry.

VISIT FLORIDA was given the challenge of quickly organizing the Florida tourism industry to match these funds dollar for dollar. All segments of the industry had to be included, large businesses and small, and we had to distribute the funds fairly across the state.

Cooperative advertising programs began in December and will run through June. Seventy-seven tourism industry partners came to the table with \$24 million of private sector dollars for a total program of \$44 million. The participants are telling us that this incremental advertising program has brought business to their front desks and business through their gates.

Our research shows that this program has recovered \$521 million in retail sales, and over \$31 million in tax revenues for Florida. That's not a bad return on investment to date.

Florida is coming back, but we are not there yet. We believe that Florida's recent experience in this program can serve as an example to show that the American Travel Promotion act can and will work. Clearly, our tourism industry needs the help this bill can provide.

We at VISIT FLORIDA, and the Florida tourism industry, enthusiastically support the American Travel Promotion Act. It is a sound idea, and the timing is excellent. We commend you for considering it, and we hope that Congress will pass it soon.

Thank you.

[The prepared statement of Frank L. Nocera follows:]

PREPARED STATEMENT OF FRANK L. NOCERA, EXECUTIVE VICE PRESIDENT AND CHIEF
OPERATING OFFICER, VISIT FLORIDA

Let me start by thanking Chairman Cliff Stearns of the Subcommittee on Commerce, Trade and Consumer Protection, to other members of the subcommittee, and thank you to Representative Mark Foley for introducing the American Travel Promotion Act. I come before you to speak in favor of the bill.

It is an honor to appear before this esteemed body. We appreciate your invitation.

I am the Executive Vice President and Chief Operating Officer of VISIT FLORIDA, the not-for-profit corporation that serves as the official tourism marketing body for the State of Florida. VISIT FLORIDA is the service company for the Florida Commission on Tourism, which forms the public-private partnership with state government. Created by Florida statute, the commission has 28 members, all appointed by the governor of the state, who also is empowered with chairing the Commission. Although most of the commissioners are volunteers from their private sector tourism industry companies (making us very much industry-driven), a member of the Florida House of Representatives and a member of the Florida Senate also sit on the commission. Florida has no completely public agency marketing its tourism. Privatization occurred in 1996, and we have rapidly become the model for other states considering moving in this direction.

On September 12, 13, 14, and 15, 2001, we pondered a landscape without Americans travelling about this great nation. Hotel hallways echoed. Restaurants and attractions were empty. Cars sat idle in rental lots. When the nation's air system reopened, those stranded returned home. And stayed. For weeks empty seats often outnumbered occupied seats by two to one.

An industry that had relished in reduced government involvement changed its thinking and appealed for rescue programs. Congress responded appropriately with an airline assistance package. Many governors, like Governor Jeb Bush responded with tourism marketing assistance programs. A recovery began, and accelerated faster than our forecasters had predicted. But it was, and is, not enough.

We saw that cooperative marketing programs worked at the state level. Now we turn to the federal level and applaud your interest in working with our industry even further.

Tourism is the largest industry in Florida, and tourism is larger in Florida than essentially any other state. Let's look at our impressive statistics for the last complete calendar year before the tragedies of September 11th, 2001. Through the 1990's and into the year 2000, Florida tourism was continuing to grow. In 2000 we hosted 72.7 million non-residents, tourism contributed \$50.7 billion in retail expenditures in the state, and directly employed 12.0 percent of the non-agricultural work force in the state, or 852,300 residents. There were 379,231 hotel/motel rooms in the state, and 37,813 eating establishments. For the fourth-largest state, with an impressive population of 16 million residents, visitors outnumbered our residents by a ratio of 4.5: 1.

Additionally, tourism in Florida has an econometric multiplier associated with it that ranges from 1.8 up to 2.2. It essentially doubles the economic impact.

For at least ten years we had enjoyed impressive growth. Take the Tourism and Recreation Taxable Sales data series, for example. It grew at an average annual rate of 6.0 percent in the past decade.

Since tourism data is kept quarterly, the immediate period to look at before the tragedies of 09/11 is the first half of calendar year 2001. We were ahead then also. Our Research Department estimated that we were running ahead by 1.1 percent in visitors hosted and 2.8 percent in touristic expenditures, even in a recession.

Then, the shock waves of 09/11 reverberated. On the Scrabble board of life, "terrorism" and "tourism" are very close and it became that way in reality as well. As Egyptian tourism had learned with the tragedy at Luxor; as Israeli tourism learns all too frequently, Florida also learned that terrorist events do great damage to the tourism economy.

Some of the shock waves were global and enveloped industry icons. Swissair folded. Canada 3000 Airlines folded. SABENA folded. U.S. Airway's Metrojet division folded. Alamo and National Car Rental Companies filed for bankruptcy protection. All of these had a direct affect on Florida tourism. Those carriers that remained cut their service to Florida by as much as 20%.

At VISIT FLORIDA, a major operating philosophy is "Research and Respond." Our Research Department turned on a dime to gather the intelligence identifying which strategies would recover our industry. One of our research consultants went

into the field and reported back to us that “you have a wonderful product that is now shrouded in an air of discomfort.”

We formed a research coalition with two Florida destinations, two other states, and one city outside of Florida, and, together, we monitored the consumer traveler sentiment from October 2001 through January 2002. While concerns about air travel safety slowly improved, concerns about the hassles and inconveniences of the new requirements to travel worsened. Additionally, consumers feared secondary attacks. Security initiatives originating at the federal, state and local levels significantly helped reduce the hesitation to be in crowded tourism venues. Again, thank you for your efforts in this area on the federal level.

In Florida, research showed the worst case scenario was that the state could lose \$433 million dollars in sales tax collections from September 2001 through June 2002. It could take all the way to December 2002 to reach the levels we had hoped for by December 2001. That would place us a full year behind in growth.

The combination of the direct hit to the largest part of the Florida state economy and the softness in the national economy at large caused our state legislature to come into special session and trim back the state’s spending on essentials for residents. School trips, eliminated; school days, shortened; summer school eliminated for this summer; highway patrol cars, more at the side of the road and less patrolling. Yet Governor Bush and the Florida legislature saw the wisdom of investing precious state funds to help the tourism industry recover.

In Florida, 20 percent of the state’s economy is based on tourism. Nationally, 68 percent of the Gross Domestic Product is derived from consumer spending. It was a sad situation. Basically, consumers were not living up to their name.

In Florida, tourism has a global perspective. We are consistently the number one destination for Canadian travelers. We are the number one long-haul destination for British travelers. The currency exchange rate and the softness in the Canadian economy were hurting us. In addition, Canadians were concerned about traveling to the states. Florida hosts six million overseas visitors a year, largely brokered by wholesalers who package their offerings at a discount in catalogs. After 9-11 those brokers, especially from the U.K. and Europe, significantly cut back in the number of air charters and blocks of airline seats for tour groups. The UK market is our second largest international market at 1.3 million visitors. This summer our U.K. visitation may be off as much as 30% over previous years.

Three tools could return the vitality of the tourism industry: time, patriotism, and creative marketing. Surely, no one was willing to wait for the passage of time alone. VISIT FLORIDA’s own surveys of our state residents reported that 21.0 percent said that the downturn in tourism negatively affected my job or business. Our responsibility stared us in the face.

Patriotism helped, but only for a while. President Bush, his brother, our Governor, and many other major political figures nationwide, showed strong visible support and leadership for our tourism industry. They provided a great call for Americans to get back to business and life as usual; a call to travel and not be afraid. Americans did listen, and travel has improved. But patriotic and family messages cannot do the job alone.

Creative marketing, speaking to value and price is now the tool of choice. Our research indicated that the domestic tourism market had splintered into three main segments. The first group was what we called “the defiant optimists.” They were determined, as they told us, “not to let the terrorists win.” They would travel no matter what. Secondly, there were the “reticent travelers,” reluctant to fly, but aware that the tourism industry had gone on sale, and could be persuaded with a bargain. And thirdly, there were the dropouts, those who first considered postponing vacations for a short while, and then began simply forgoing them for the current year.

Surely, some tourists decided to switch from air travel to auto travel. But, our research indicated that they were likely to switch their destinations also to stay within a 6-8 hour driving radius with no overnight stay en route to their ultimate destination. For most of our air visitors, this change in consumer behavior ruled out a switch to cars for a trip to Florida. Historically, as in Calendar Year 2000, the modes of travel to Florida for domestic visitors (basically the only ones eligible to switch to driving) was 52.3 percent by auto and 47.7 percent by air.

We saw the negative impact of this in the first six-month reporting period after the attacks, from October 2001 through March 2002. Total visitation was down by 11.3 percent, for an estimated loss of \$4.38 billion in tourism retail sales. The increase in travel to Florida by auto was only 0.7 percentage points, not a reflection of a structural shift in the consumer mind-set. Visitors from distant destinations were not getting in their cars and driving to Florida.

So, we came back to creative marketing as the key to the industry recovery. A proprietary study, currently in progress by VISIT FLORIDA, is indicating that, nationally, 16.4 percent of Americans can be classified as reticent travelers, ready to respond to the advertising that communicates the good deals. That translates into a potential market of 17.8 million households or travel parties. Their reaction to the advertising that this bill would support would not only benefit our state, but others as well.

In marketing theory, advertising infusions help in both the short term and in the long term. On the other hand, price reductions only help in the short term. For example, this was the lodging situation in our major markets as recently as March of the current year: hotel occupancy in greater Orlando was 13.2 percentage points better than in January, but the average daily room rate was down by 5.0 percent from the year before. In Tampa, the average daily room rate was down by 5.4 percent (occupancy improved by 20.1 percentage points). And the story in Miami was a decrease of 6.2 percent in average daily room rate (while occupancy improved by 9.3 percentage points).

Back home, the Governor and the Florida Legislature helped us to jump-start a recovery. First, the Florida Commission on Tourism allowed us to tap into a \$2 million Economic Risk Fund as rapidly as October 2001. Our research told us to apply the funds in ever-widening concentric circles of travel radiuses, first enticing residents to see more of their own state, then motorists in nearby states to come to Florida. We feel that this stopped the hemorrhaging, at least. County-based bed taxes were down 19.9 percent in December, an improvement from the negative 22.3 percent in October.

Then, the Florida Legislature enabled, on a state level, what you are considering on a national level: funding an infusion of tax dollars to assist in tourism recovery. In effect, we are in a prototype experiment. Its success is a major reason why we support this bill. Governor Bush authorized the redirection of funds within his budget, with the Florida Legislature's approval, for a one-time infusion of \$20 million for tourism marketing. This program has a highly constrained protocol, and an end date of June 30, 2002. VISIT FLORIDA was required to match these state funds with private sector advertising dollars. We had to consider both large and small tourism industry participants and a fair distribution across the state.

VISIT FLORIDA is the umbrella marketing agency and advocate for our industry. We must have done something right, because the industry responded quickly and enthusiastically. The \$20 million available for matching was exhausted quickly. The process worked as cooperative advertising in reverse. The local business or destination developed advertising and featured our logo, toll-free telephone number, and Internet Web Site address along with their own. The commitment required an accountability methodology from the tourism industry participants.

Results are becoming apparent. With over 77 industry partners participating in the program, assessing an overall return on investment is challenging, at this point. Anecdotal information from participants is that the extra advertising is helping. Once again, our research professionals are responding to another pioneering challenge by studying a leading indicator, nationwide air passenger enplanements, and how far below they are from the year before. Similarly, we gather comparable data for the 14 largest commercial airports in Florida.

The resulting research hypothesis is simplified as follows: extrapolate the gap in the recovery rate at Florida's 14 largest airports with the recovery rate nationwide. It is reasonable to assume that a significant amount of the difference is attributable to our matching grant, cooperative advertising program. The tracking of this program is a bit crude at this point, because our \$20 million extra infusion is coming about over an extended period of time. Nevertheless, from September 2001 through January 2002, the most current data available, we estimate that the gap translates into \$521 million dollars recovered by the Florida tourism industry as sales directly related to this program. These sales contribute \$31.3 million in state sales tax collections.

While this type of creative marketing program works, the challenge is that the momentum needs to be sustained. But there is no vision of another special grant of \$20 million coming from the Florida Legislature when its new fiscal year begins on July 1. With the matching fund this fiscal year, VISIT FLORIDA's presence in the marketplace will total \$77 million. However, for July 2002 through June 2003, we can only envision a marketing presence of \$40 million, when our own budget is extended by the usual expected recurring presence of cooperative type programs from our industry.

How, then, to fill that gap, and keep the industry recovery rate accelerating? That is why Congressman Foley's bill and your timing are right on track. We would dou-

ble our allocation by the same diversified-type program, casting a net that benefits regions and a wide range of businesses.

When you support tourism, you support the number one, two, or three industry in every state. When you support tourism, you support clean industry. When you support tourism, you encourage protection of our environment and historical resources, because visitors want to enjoy them.

Florida, a leading tourism destination, is also a leading indicator for the tourism industry. For we are coming back, but we are still not there. We clearly need the additional impetus that your program would provide.

Dr. Spencer Johnson, M.D., in his contemporary book, *Who Moved My Cheese?*, has the character Haw say, "Sometimes, Hem, things change and they are never the same again. This looks like one of those times." I could not have said it better.

On behalf of the grateful tourism industry of Florida and the grateful tourism industry nationwide, thank you again, for the opportunity to address you in support of this bill. We commend you for considering it.

Mr. STEARNS. Thank you.

Mr. Sternberg.

STATEMENT OF MICHAEL STERNBERG

Mr. STERNBERG. Thank you, Mr. Chairman.

Chairman Stearns and members of the committee, my name is Michael Sternberg, and I am the CEO and co-owner of three fine-dining restaurants in the metropolitan Washington area, Sam & Harry's, Washington, DC, Sam & Harry's, Tysons Corner and The Caucus Room right here in Washington, DC.

I am testifying here today on behalf of the National Restaurant Association, which is the leading business association for the restaurant industry. Together with the National Restaurant Association Educational Foundation, the Association's mission is to represent, educate, and promote a rapidly growing industry that is comprised of 858,000 restaurant and food service outlets employing 11.6 million people around the country. Every \$1 spent in a restaurant creates an additional \$2.13 in sales for other industries throughout the economy. As a member of the Board of Directors of the Association, I'm proud to say that our Nation's restaurant industry is the cornerstone of the economy, careers and community involvement.

Let me share some information with you. 47.5 million international visitors will travel to the U.S. this year, spending billions in travel-related items. Travelers spend nearly \$120 billion dining out every year. Our economy desperately needs these travelers. We applaud Congressman Foley and Congressman Farr for introducing legislation that will help ensure our States and territories the necessary resources needed to promote the U.S. as a wonderful travel destination.

Travel and tourism has emerged as one of the Nation's largest industries. In 2000, the industry's combined direct and indirect economic impact was \$584 billion, generating over \$100 billion in tax revenue for Federal, state, and local governments, with the restaurant industry accounting for a majority of this economic activity.

The travel and tourism industry employs roughly 19 million workers, and they are the first, second or third largest employer in 28 States and the District of Columbia. In 2001, for example, metropolitan Washington food and beverage establishments generated \$3.6 billion in annual sales, over \$360 million in sales tax, and employed 79,000 workers.

Like Mr. Nocera, certainly shortly after the events of September 11 Washington, DC joined together and raised \$3 million in additional funds to market the District of Columbia. Because of that marketing effort, the hotels in the District now are just running 6 percent behind last year. That's a major accomplishment, and has brought people back to work and, again, has generated tremendous sales tax dollars for the District of Columbia.

My restaurants, my small company, we employ over 400 employees, and those employees earn over \$8 million a year. We contribute directly over \$2 million in sales and corporate taxes to the metropolitan Washington economy.

Something else of interest is that in an increasingly competitive market the United States ranks third in the world as a travel destination, behind Spain and France. Almost every industrial nation spends money marketing itself as a travel destination except the United States. We clearly must do more to promote travel.

Congressman Foley is right on track, and Congressman Farr, are right on track with the American Travel Promotion Act.

[The prepared statement of Michael Sternberg follows:]

PREPARED STATEMENT OF MICHAEL STERNBERG, CHIEF EXECUTIVE OFFICER, SAM & HARRY'S AND THE CAUCUS ROOM ON BEHALF OF THE NATIONAL RESTAURANT ASSOCIATION

Thank you, Mr. Chairman. Chairman Stearns and members of the Committee, my name is Michael Sternberg, and I am the CEO and co-owner of three fine-dining restaurants in metropolitan Washington, Sam & Harry's, Washington D.C., Sam & Harry's, Tysons Corner and The Caucus Room. I am testifying here today on behalf of the National Restaurant Association, which is the leading business association for the restaurant industry. Together with the National Restaurant Association Educational Foundation, the Association's mission is to represent, educate, and promote a rapidly growing industry that is comprised of 844,000 restaurant and foodservice outlets employing 11.3 million people around the country. Every one dollar spent in a restaurant creates an additional \$2.13 in sales for other industries throughout the economy. As a member of the Board of Directors of the Association, I am proud to say that our nation's restaurant industry is the cornerstone of the economy, careers and community involvement.

Mr. Chairman, I am living the American dream. I have over 25 years of experience in the restaurant industry and I am the owner of three successful restaurants right here in the nation's capital. After beginning my career in the hospitality industry as a waiter in Chicago, in 1982, I moved to Washington and began my career as a restaurant manager. Three years later I joined a well established real estate development group, opening two new restaurants as Director of Restaurant Operations. From that experience, I became familiar with all aspects of running a fine dining restaurant. Finally, in 1990 I had the great fortune to open the first Sam & Harry's in downtown Washington, DC.

The tragic events of September 11, 2001 have had a dramatic impact on all aspects of American society. The economic harm to the restaurant industry resulting from the terrorist attacks has been substantial, particularly on fine dining restaurants, airport concessions and restaurants located in urban and rural travel destinations. As I understand it, the purpose of today's hearing is to examine the benefit that extra funding for travel and tourism offices would have on the economy. I am here to endorse legislation introduced by Congressman Mark Foley to help fund tourism promotion in the United States. This legislation recognizes how vital the travel and tourism industry is to our nations' economy.

The bill, American Travel Promotion Act (ATPA), would provide \$100 million dollars for a 50/50 grant program to state and territory travel and tourism offices to promote travel and tourism through advertising. The state and territory travel offices would have complete autonomy in spending the money as long as it was directed towards travel promotion advertising as defined in the legislation. The program would be open for nine months and administered through the Department of Commerce. This is a win-win situation for everyone involved.

This is a very timely and important hearing. I care deeply about the future of my business, my employees and our industry as a whole. Most of our business is from business travelers, convention and meeting attendees, tourists and hotel guests, and the industry as a whole, derives nearly one third of its sales from travelers. Since the events of September 11th, not only have we seen a decline in the number of hotel guests and tourists, but we have seen a decrease in the number of local diners who are still not comfortable with dining in downtown Washington and who are either staying in the suburbs or eating at home. The threat of another terrorist attack still weighs heavy on the minds of many Americans and those abroad that would otherwise travel in the United States. There is a direct correlation between the deficit in the budget of the District of Columbia and the decline in travel and tourism to the Nation's Capitol.

Over the last decade, travel and tourism has emerged as one of the nation's largest industries. In 2000, the industry's combined direct and indirect economic impact was \$582 billion, generating nearly \$100 billion in federal, state and local tax revenue. The travel and tourism industry is responsible for roughly 18 million jobs nationwide, and is the first, second or third largest employer in 28 states and Washington, D.C. Travelers spend nearly \$120 billion dining out every year. However, in an increasingly competitive international market, the United States ranks third in the world as a travel destination behind Spain and France. Almost every industrialized nation spends money marketing itself as a travel destination except for the United States. We clearly must do more to promote travel.

Mr. Chairman, with 11.3 million employees, the restaurant industry is our nation's largest employer outside of government. The restaurant industry lost 103,000 jobs in September, according to the Bureau of Labor Statistics due to slower sales because of economic conditions and the September 11 terrorist attacks. Travel and tourism is extremely important to my industry and our economy. Approximately 47.5 million international visitors will travel to the U.S. this year, spending billions on travel related items. We applaud Congressman Foley for introducing this bill and for his understanding the importance and necessity of getting our nation and our economy back on track. By passing the American Travel Promotion Act, Congress will give the states and territories the necessary resources to deliver our message—America is a great place to travel.

Mr. Chairman and members of the Committee, thank you again for this opportunity to appear before you today. I would be happy to answer any questions.

Mr. STEARNS. Thank you.

Mr. Lounsberry?

STATEMENT OF FRED LOUNSBERRY

Mr. LOUNSBERRY. Thank you. I'd like to begin by thanking Chairman Stearns, Ranking Member Towns, and members of the subcommittee, for the opportunity to testify today.

I'd also like to thank Representative Mark Foley, Co-Chair of the House Travel and Tourism Caucus, for introducing this important legislation.

I'm Fred Lounsberry, Senior Vice President, Sales, for Universal Studios Recreation Group, the vendor Universal Entertainment. I'm here today in my role as National Chair for the Travel Industry Association of America. TIA is the national non-profit organization representing all components of the \$545 billion U.S. travel and tourism industry.

I'd like to provide a brief overview of the economic importance of the travel and tourism industry. I'll also discuss the outlook for travel this summer.

Travel and tourism generates 18 million jobs nationwide, one out of every seven private sector employees in the U.S. The industry also produces nearly \$94 billion in tax revenue for local, State and Federal Governments. International visitors to the U.S. generate \$90 billion in expenditures, and these visitors accounted for over 1 million jobs nationwide.

Last year was a very difficult time for the U.S. travel and tourism industry. All sectors of the industry saw declines in travelers and profits. My home State of Florida was particularly hard hit, but Governor Bush and our legislature moved decisively to provide financial assistance which was matched by the private sector. This public/private partnership breathed new life into our state's economy, and our industry has made significant rebounds since last fall.

We expect to see some recovery for the industry this summer, but it will be fragile, spotty, and may come at expense of profits. TIA forecasts that this summer there will be a 2 percent increase over last year in leisure travel. Although a significant number of Americans plan to travel, their patterns have changed. Americans are looking to get back to basics. It appears that most summer travel, leisure travel, will take place by auto or RV. Leisure travel by air will continue to be depressed. We expect to see some shift to overnight accommodations, other than hotels and motels, and we expect travelers to take shorter trips than last year.

Spending is also likely to decline. Intended travelers are planning to spend 9 percent less than last summer, and nearly half plan to travel closer to home.

The outlook for business travel is much less positive. TIA expects that business travel, especially by air, will remain weak this summer. With business travel lagging, airline and hotel industries will continue to struggle this summer, and probably for much of the rest of this year. Traveler concerns about safety and security have steadily dropped since last September, however, the recent dire and non-specific security warnings are certain to dampen some travel plans.

Our industry is faced with a long-term marketing effort to responsibly reassure the traveling public. A joint public/private partnership must be established to market U.S. travel. Visitors need to be reassured that government and the private sector are doing all they can do to make their travel as safe as possible.

The tragedies of September 11 have had a disastrous impact on this Nation's travel and tourism industry. H.R. 3321 would provide much needed funding for travel promotion to help revive our industry. This bill would provide assistance to the States at just the right time. In addition, this legislation is an important first step toward building a comprehensive public/private partnership. This partnership would promote travel through a unified campaign to brand, position, and promote the U.S. as the world's top travel destination.

I thank the committee for their attention to this important issue. TIA stands ready to work with Congress to promote the U.S. travel and tourism industry.

[The prepared statement of Fred Lounsberry follows:]

PREPARED STATEMENT OF FRED LOUNSBERRY, NATIONAL CHAIR, TRAVEL INDUSTRY
ASSOCIATION OF AMERICA

Mr. Chairman, Ranking Member Towns, and Members of the Subcommittee, on behalf of the Travel Industry Association of America (TIA) and its 2,100 member organizations, I want to thank you for the opportunity to testify on the current state of our industry and on H.R. 3321, the American Travel Promotion Act. I would also like to thank Rep. Mark Foley, Co-Chair of the House Travel and Tourism Caucus,

for introducing this important legislation, which can help an industry that is struggling on the road to recovery.

I am Fred Lounsberry, Senior Vice President of Sales for the Universal Studios Recreation Group. I am here in my role as National Chair of the Travel Industry Association of America.

TIA is the national, non-profit organization representing all components of the \$545 billion U.S. travel and tourism industry. TIA's mission is to represent the whole of the travel industry to promote and facilitate increased travel to and within the United States. Our 2,100 member organizations represent every segment of the industry, and I am pleased to be joined on this panel today by other TIA members.

While the events of September 11 had an immediate and terrible impact on the U.S. travel industry, we are on the road to recovery. This recovery, though, is uneven at best and some regions of the country are faring better than others. Some industry segments are more positively situated for recovery, whereas others may not see normal levels of business until some time in 2003. Domestic travel is recovering more quickly than inbound international travel. All of the members of this subcommittee will undoubtedly hear different stories back in their districts about where the tourism industry is on that road to recovery.

H.R. 3321 would provide much needed funding for travel promotion to help revive our industry. State governments are some of the most important players in tourism promotion. States run very sophisticated advertising campaigns to encourage domestic travel and attract international visitors. This legislation would provide badly needed assistance to the states at just the right time. In addition, this legislation is an important first step toward building a comprehensive public-private partnership to promote international travel through a unified campaign to brand, position, and promote the U.S. as the world's top travel destination.

ECONOMIC OVERVIEW OF TRAVEL AND TOURISM

I would like to begin by giving a brief overview of the importance of the travel and tourism industry to our nation's economy.

Travel and tourism generates 18 million jobs nationwide, both directly and indirectly. That's one out of every seven people employed in the private sector in the U.S. The industry also produces nearly \$94 billion in tax revenue for local, state, and federal governments.

International travel and tourism to the U.S. is a vital component of our national economy. Over 46 million international visitors generated \$90 billion in expenditures and accounted for over one million jobs nationwide. International travel and tourism to the U.S. is considered a service export and last year the U.S. had a positive balance of trade of \$7.7 billion.

POST-SEPTEMBER 11

As a result of the September 11 attacks and the recession, last year was a very difficult time for the U.S. travel and tourism industry. All sectors of the industry saw declines in travelers and profits.

Not only did Americans stop traveling, but international visitation dropped off as well. As an example, Hawaii Lt. Governor Mazie Hirono stated that her state's largest overseas travel market—Japan—dropped by 50%. The downturn in Japanese travel alone to Hawaii had caused the state to lose \$4 million each day.

My home state of Florida was particularly hard hit. But our state government recognized the importance of the travel industry and moved decisively to provide assistance. Our governor and the state legislature authorized an additional \$20 million from travel and tourism advertising. This sum was matched with \$24 million by the private sector. By working together, this public-private partnership breathed new life into our state's economy and our industry has made significant rebounds since last fall. My home city of Orlando was particularly hard hit, with the Orlando Convention and Visitors Bureau announcing nearly \$200 million in cancelled business. Airline lift to Orlando is still down 14 percent.

SUMMER FORECAST

We expect to see some recovery for the travel industry this summer, but it will be fragile, spotty, and may come at the expense of profits. The volume of traffic we see is due, in part, to the extreme price reductions many companies have used to keep the travelers moving.

According to recent surveys, intentions for leisure travel this summer are stronger than last year. TIA forecasts that total leisure travel volume will increase about 2 percent this summer to a total of 233.4 million leisure person-trips. Although a sig-

nificant number of Americans plan to travel, their patterns have changed from previous years.

Americans are looking to get back to basics this summer. It appears that most summer leisure travel will take place by car or RV—close to 85 percent. Leisure travel by air will likely continue to be quite depressed—perhaps down by as much as 4 percent—despite all the discounting that has been going on by airlines trying to stimulate demand which has resulted in some very low airfares for consumers.

Along with more auto travel, we expect to see some shift to overnight accommodations other than hotels and motels, which will probably experience flat or even a slight decline in demand this summer. And we expect travelers to take shorter trips than last year.

Spending is also likely to decline with intended travelers planning to spend \$1,066 on their longest leisure trip this summer, down 9 percent from \$1,172 in planned spending last summer. And nearly half of traveling Americans said they are planning to travel closer to home this summer.

The outlook for business travel is much less positive. TIA expects that business travel, especially by air, will remain weak this summer.

Business travel is a vital component of our industry. Nearly 40 percent of business trips in this country are taken by air and two-thirds involve the use of hotel accommodations. With business travel lagging, air and hotel industries will continue to struggle this summer and probably for much of the rest of the year.

There seems to be a consensus among industry analysts that it will be a while before we see a recovery of business travel. While the numbers will certainly look good in the fourth quarter of this year, as compared to the horrible numbers posted in September through December of last year, TIA does not expect to see a true business travel recovery until 2003 at the earliest.

Concerns about traveler safety and security have steadily dropped since September. Safety and security are concerns for only 7 percent of those not planning to travel. However, the recent series of dire and non-specific warnings about terrorist attacks is certain to dampen some travel plans. Our industry is faced with a long-term marketing effort to responsibly reassure the traveling public. A joint public-private partnership must be established to market U.S. travel and to reassure visitors that government and the public sector are doing all they can to make travel as safe as possible.

CLOSING

Prior to last September, many Americans took the importance of the travel and tourism industry for granted. It is unfortunate that it took the combined effects of an economic downturn and terrorist attacks to raise this country's awareness and appreciation for how much our industry contributes to this nation, both economically and culturally. And while the industry is recovering, it still has a way to go.

H.R. 3321, the American Travel Promotion Act, is an important element in assisting the recovery of the U.S. travel and tourism industry. The funds authorized from this legislation will provide an important boost to ongoing state efforts to generate domestic travel and to draw back the international visitors we have lost to overseas destinations. We hope the Committee will support the legislation and will continue to work with the travel industry as part of a comprehensive effort to create jobs and generate revenues by encouraging travelers to see America.

Mr. STEARNS. I thank the gentleman.

Mr. Stewart.

STATEMENT OF JEFFREY D. STEWART

Mr. STEWART. Good morning.

I'm Jeffrey Stewart, Vice President of Communications and Public Affairs for Loews Hotels and an Executive Committee Member of the Travel Business Roundtable. Loews Hotels is headquartered in New York City, and owns or operates 17 distinctive, one-of-a-kind properties in the United States and Canada, employing more than 7,000 people.

The Travel Business Roundtable is a CEO-based organization with more than 70 member corporations, associations and labor groups. We represent major airlines, hotel companies, rental car companies, restaurants, retail outlets, convention visitor bureaus

and financial service institutions, as well as other organizations reflecting the breadth and diversity of the travel and tourism industry.

I'm here today to testify on behalf of both of these organizations in strong support of H.R. 3321, the American Travel Promotion Act.

I'd like to thank Chairman Stearns and Ranking Member Towns for holding the hearing today. I'd also like to thank Congressmen Foley and Farr for their leadership in introducing H.R. 3321. As Co-Chairs of the Congressional Travel and Tourism Caucus, they have done much to educate their fellow Members of Congress on the importance of travel and tourism to the United States' economy.

H.R. 3321 would assist States and the U.S. travel and tourism industry in their recovery from the dramatic economic impact that resulted from the downturn in travel after September 11. In the immediate aftermath, it became apparent very quickly that the effect on the industry went beyond just the airlines, when people stopped flying or traveling at all, they were not staying in hotels, eating in restaurants, renting cars, visiting museums, theme parks, or shopping. As a result, hundreds of thousands of hospitality employees were laid off or worked reduced hours.

At the same time, hospitality companies experienced revenue shortfalls and States and localities saw their tax revenues shrink rapidly. Though some segments of the travel and tourism industry are slowly beginning to recover, the recovery across the industry and the country is, in fact, mixed.

The Travel Business Roundtable and Loews Hotels offer our enthusiastic support for H.R. 3321, because it would provide a much needed stimulus to States, local governments, and the U.S. travel and tourism industry as a whole.

Moreover, this legislation is also significant because it represents a valuable first step toward raising the country's visibility as a desirable destination for business and leisure travelers. The United States has much to offer foreign travelers, but at this time there is no cohesive marketing plan to promote the No. 1 brand in the world, the U.S.A. This is a missed opportunity that is beginning to catch up with us.

In 1996, travel and tourism generated a balance of trade surplus of nearly \$26 billion for the United States. In the year 2000, the trade surplus dropped to \$17 billion. We are now the third most sought after travel destination in the world, behind France and Spain. These countries spend tens of millions of dollars a year to promote themselves to foreign visitors, but the United States spends nothing.

In 2000, international visitors spent \$106.5 billion in the United States. It is simple, good business sense that the United States makes at least a minimal investment to retain and grow this important and lucrative market share. International visitors, on average, spend six times as much as domestic travelers.

Loews Hotels and the Travel Business Roundtable support the development of an aggressive brand marketing campaign funded from private and public sources to promote the U.S. as a travel des-

tinuation. By and large, our industry does not need capital dollars, it needs marketing dollars.

In addition to creating jobs, generating tax revenues, and spurring economic development, travel and tourism increases awareness and understanding among diverse cultures and can help eradicate prejudices based on ignorance. The need to better define America abroad has become all too clear since the events of last fall. Let's use the travel and tourism industry, and the marketing of the United States as a travel destination, as a way to combat misconceptions about the United States around the world.

More than 1½ years ago, the Travel Business Roundtable called for the creation of a Presidential Advisory Council on Travel and Tourism, which is currently under consideration within the Bush Administration. The Council would be the ideal body to explore ways that the travel and tourism industry can work for the benefit of our Nation. It would also help coordinate the activities of the administration and the many departments and agencies that impact travel and tourism.

By enacting the American Travel Promotion Act, Congress would be taking an important first step toward implementing a focused national strategy to our travel and tourism. When one considers that in the year 2000 travel and tourism employed 18 million people and generated \$100 billion in Federal, State and local tax revenues, and that is the first, second or third largest employer in 28 States and the District of Columbia, it makes good economic sense to invest in this dynamic industry.

This is something that this country needs to do now more than ever. I urge the subcommittee to take action on H.R. 3321 and to consider expanding on this legislation to include funding for a U.S. destination marketing campaign.

Thank you again for this opportunity to appear before the committee today.

[The prepared statement of Jeffrey D. Stewart follows:]

PREPARED STATEMENT OF JEFFERY D. STEWART VICE PRESIDENT OF COMMUNICATIONS AND PUBLIC AFFAIRS, LOEWS HOTELS, EXECUTIVE COMMITTEE MEMBER, TRAVEL BUSINESS ROUNDTABLE

I am Jeffrey Stewart, Vice President of Communications and Public Affairs for Loews Hotels and an Executive Committee member of the Travel Business Roundtable (TBR). Loews Hotels is headquartered in New York City and runs 17 distinctive properties in the U.S. and Canada, including the Regency Hotel in New York and Loews L'Enfant Plaza and the Jefferson Hotel here in Washington. The company employs more than 7,000 people across the United States. TBR is a CEO-based organization that represents the broad diversity of the U.S. travel and tourism industry, with more than 70 member corporations, associations and labor groups. I am here today to testify on behalf of both organizations in strong support of H.R. 3321, the American Travel Promotion Act.

Before I begin, I would like to thank Chairman Stearns and Ranking Member Towns for holding this hearing to examine this important legislation. I would also like to thank Congressmen Foley and Farr for their leadership in introducing H.R. 3321, and for their tireless efforts in their capacity as co-chairs of the Congressional Travel and Tourism Caucus over the past five years to educate their fellow Members of Congress on the importance of travel and tourism to the U.S. economy.

As Congressman Foley and Farr have testified today, H.R. 3321 seeks to assist states, and by association, the U.S. travel and tourism industry, in their recovery from the dramatic economic impact they experienced due to the downturn in business and leisure travel in the days and weeks following the tragic events of September 11. It became apparent very quickly during that time that this was not simply an airline problem. When people stopped flying—or in many cases traveling by

any mode of transportation—they were subsequently not staying in hotels, eating in restaurants, visiting museums or theme parks, renting cars or shopping. As a result, hundreds of thousands of hospitality industry workers were laid off or had their hours reduced, hospitality companies faced steep revenue shortfalls and state and local governments saw a rapid decline in tax revenue upon which they were particularly reliant in a recessionary economy. Though some segments of the travel and tourism industry are slowly beginning to recover, the recovery across the industry and the country is uneven.

We offer our enthusiastic support for H.R. 3321 because we believe the \$100 million in matching grants to states that this legislation would provide to enhance their marketing efforts in the U.S. and throughout the world will provide a much-needed stimulus to states, local governments and the U.S. travel and tourism industry as a whole. However, TBR and Loews Hotels believe this legislation is also significant because it represents a valuable first step toward raising the country's visibility as a desirable destination for business and leisure travelers.

With its size and regional diversity, the United States has much to offer foreign travelers. But instead of capitalizing on that broad array of options for travelers to market its "brand" overseas, it chooses to let others—the media, individual states and U.S. companies—define it. This is a missed opportunity that is beginning to catch up with us. In 1996, travel and tourism generated a balance of trade surplus of nearly \$26 billion for the U.S. Today, the trade surplus has slipped to \$17 billion. Moreover, our country continues to rank as the *third* most sought-after travel destination in the world—behind Spain and France.

What do these countries have that we don't? Well, for one thing, they spend tens of millions of dollars to promote themselves to foreign visitors. In 2000, international visitors spent an estimated \$106.5 billion in the U.S. It seems like simple good business sense—and good policy—to spend some money on promoting what the U.S. can offer to these visitors in an effort to retain and grow this powerful market share. Loews Hotels and TBR support the development of an aggressive brand marketing campaign, funded from both private and public sources, to promote the U.S. as a desirable travel destination. By and large, our industry does not need capital dollars—it needs marketing dollars.

In addition to creating jobs, generating tax revenues and spurring economic development, travel and tourism also increases awareness and understanding among diverse cultures and can help eradicate prejudices based on ignorance. The need to better define America abroad has become all too clear since the events of last fall. Let's use the travel and tourism industry and the marketing of the United States as a travel destination as a way to combat misconceptions about us around the world.

More than a year-and-a-half ago, TBR called for the creation of a Presidential Advisory Council on Travel and Tourism, which is currently under consideration within the Bush Administration. Comprised of 35 presidentially appointed representatives of business, government and non-profit organizations with expertise in policy matters impacting tourism development, the Council would be the ideal body to explore ways that the travel and tourism industry can work for the benefit of our nation. The Council would advise the President on national tourism policy and would help ensure that travel and tourism receives a more sustained and vigorous policy focus at the federal level. It would also help coordinate the activities of the Administration and the many departments and agencies that impact travel and tourism.

By enacting the American Travel Promotion Act, Congress would be taking an important first step toward implementing a focused national strategy toward travel and tourism. This is something that this country needs now more than ever. I urge this Subcommittee to take action on H.R. 3321 and to consider expanding on this legislation to include funding for a U.S. destination marketing campaign.

I thank you again for this opportunity to appear before the Subcommittee today, and I look forward to answering any questions you may have.

TRAVEL AND BUSINESS ROUNDTABLE MEMBERSHIP

JONATHAN M. TISCH, CHAIRMAN, TRAVEL BUSINESS ROUNDTABLE, CHAIRMAN & CEO,
LOEWS HOTELS

American Airlines; American Express Company; American Hotel & Lodging Association; American Resort Development Association; American Society of Association Executives; Amtrak; Asian American Hotel Owners Association; Association of Corporate Travel Executives; Best Western International; Budget Group Inc.; Business Travel News; Carey International Limousine; Carlson Hospitality Worldwide; Cendant Corporation; City of New Orleans; The Coca-Cola Company; Common-

wealth of Puerto Rico; Delta Air Lines, Inc.; Diners Club International; Distinguished Restaurants of North America; Fairmont Hotels & Resorts; FelCor Lodging Trust; Four Seasons Hotels & Resorts; Greater Boston Convention and Visitors Bureau; Greater Fort Lauderdale Convention & Visitors Bureau; Greater Miami Convention & Visitors Bureau; The Hertz Corporation; Hilton Hotels Corporation; Hotel Employees and Restaurant Employees International Union; HRW Holdings, LLC; Hyatt Hotels Corporation; Inc. Magazine; International Association of Convention and Visitors Bureaus; International Council of Shopping Centers; Interval Incorporated; JetBlue Airways Corporation; Las Vegas Convention and Visitors Bureau; Loews Hotels; Los Angeles Convention & Visitors Bureau; Lufthansa Systems North America; Manhattan East Suites Hotels; Marriott International Inc.; MeriStar Hotels and Resorts Inc.; The Mills Corporation; National Basketball Association Entertainment; National Football League; National Hockey League; National Restaurant Association; New York University; Northstar Travel Media, LLC; NYC & Company; Omega World Travel; Pegasus Solutions, Inc.; PricewaterhouseCoopers, LLP; The Rappaport Companies; Six Continents Hotels Inc.; Smith Travel Research; Starwood Hotels & Resorts; Strategic Hotel Capital Incorporated; Taubman Centers, Inc.; Tishman Construction Company; United Airlines; Universal Studios; United States Conference of Mayors; USA Today; Vail Resorts, Inc.; Visa USA Inc.; Walt Disney Parks and Resorts; Washington D.C. Convention and Tourism Corporation; Waterford Group, LLC; WH Smith USA Travel Research; World Travel and Tourism Council; and Zagat Survey.

A PRESIDENTIAL ADVISORY COUNCIL ON TRAVEL AND TOURISM

Tourism is an unsung hero of the U.S. economy. Over the course of the past eight years, it has generated more than 56.7 million jobs, \$3.7 trillion in expenditures, \$622 billion in state, local and federal taxes and \$157 billion in trade surpluses. Despite such robust economic performance, tourism's contributions to the prosperity of American life have not been fully recognized, understood nor strategically developed by many policymakers for what it is: A powerful driver of jobs, community development, small business growth and export generation.

The United States' tourism policy was previously coordinated to some extent through the United States Tourism Administration (USTA), which operated under the Department of Commerce with an annual budget of approximately \$17 million. The Administration was abolished due to congressional budget cuts and a perception among many policymakers that the organization was not achieving its mission. Its successor, the Tourism Industries office within Commerce's International Trade Administration operates on a small budget and is largely a statistical resource for inbound travel data. It has neither the resources nor the directive to promote the U.S. as a desirable travel destination overseas.

This lack of strong, coordinated U.S. government support puts the U.S. travel and tourism industry at a sharp disadvantage to its international competitors. More than 130 countries have official, government-sponsored tourism offices. These nations have recognized that a coordinated national tourism policy fulfills numerous domestic goals, including job creation, expanding trade surpluses and creating economic vitality on a multi-regional basis within their countries. This reality is borne out by the fact that the U.S. has fallen behind in recent years to become the third most popular travel destination in the world—behind France and Spain. Not surprisingly, both of these countries provide significant annual funds to their national tourism promotion offices.

The Travel Business Roundtable (TBR) advocates the establishment of a President's Council on Travel and Tourism to help the U.S. retain its edge against its competitors as the premier travel destination in the world. The Council would be created by Executive Order as a federal advisory committee under the Federal Advisory Committee Act (FACA). It would be comprised of not more than 35 presidentially appointed members from the private, public and non-profit sectors. These members would represent a diverse range of business, government and non-profit organizations with experience relating to policy matters impacting tourism development. Operating on a substantially smaller budget than the old USTA, the Council would pursue four essential objectives:

- Foster tourism policy development and coordination within the federal government;
 - Demonstrate how effective tourism policy can be implemented;
 - Raise awareness of the economic importance of travel and tourism; and
 - Develop appropriate benchmarks to measure tourism policy success.
- The Council's activities would include:
- Reviewing current policies and programs that support tourism export growth;

- Performing a marketplace needs assessment;
- Identifying replicable examples of effective tourism export policy from other countries;
- Recommending policy improvements and additional opportunities to advance U.S. tourism exports abroad;
- Advising the President on policies that would foster fiscal prosperity and growth for small tourism-related businesses;
- Advising the President on domestic policies and approaches that can promote community-based tourism development, particularly in rural and economically depressed areas; and
- Creating and participating in projects that help forge partnerships among representative of federal and state agencies, urban centers and rural communities, with the goal of creating a strategic vision for community-based tourism development.

Mr. STEARNS. Thank you.

I'll start with a line of questioning here.

We are all supportive of what you are saying, and when I listen to all of you I'm starting to believe that there might be a more comprehensive approach to this, rather than just \$100 million.

As mentioned earlier, the U.S. Travel and Tourism Administration, you know, has been folded into the Trade Development, and it doesn't have its own secretary, a deputy secretary, and a lot of its employees that were overseas have been gone. And so, I mean, let's look at this in, really, a serious vein, because all of you touched on the fact that this is a long-term problem. And, if this is a long-term problem, \$100 million might not be sufficient. We need a comprehensive plan, and maybe now is the time to talk about it, while there is receptivity in the United States because of what happened.

We hear every day the Vice President, we've talked to the President, other people in the administration, talk about another possible terrorist attack, and we talk about the implication, what that means. Obviously, that's going to have a devastating effect on tourism. So, we have to plan, not just, I think, for something that is just a shot of \$100 million, but some kind of comprehensive plan to take care of what happens to tourism if we have another terrorist attack, and how can we assure that this industry is protected.

As you pointed out, both Spain and France have spent a lot of money and the United States has not. So, you know, I hear people say, well, perhaps the recession is over. Some people say it's not over. For example, in Florida, let me ask you, Mr. Nocera, is there a particular part of the tourist industry that's been hurt more than others? I mean, because a lot of Florida is local, and a lot of it is United States, a lot of it's international, and a lot of it is restaurants and hotels. I mean, is it segmented where it's very devastated and other portions it's not?

Mr. NOCERA. Yes, sir, that is correct.

Geographically, you are absolutely correct. The Orlando area and the Miami/Ft. Lauderdale areas have been particularly hard hit by what has happened.

Mr. STEARNS. In the hotel and restaurant or one or the other?

Mr. NOCERA. Hotel, restaurant, and all segments of the tourism industry, or the tourism economy.

Mr. STEARNS. You mentioned Orlando is down 14 percent, I thought you said? How much is Orlando down in tourism?

Mr. NOCERA. Approximately, 14 percent.

Mr. STEARNS. Fourteen percent, uh-huh.

Mr. NOCERA. Correct.

Mr. STEARNS. What would you say to my comment that sort of a comprehensive plan that would protect tourism in the United States, not only with the threat, and what people perceive as a threat, but the possibility of long term, what should we have in place to protect this industry?

Mr. NOCERA. Mr. Chairman, that is an outstanding idea. It's an idea that the tourism industry has long put forward and has long wanted. The United States of America is the only industrialized nation that we are aware of that does not have, on a national basis, a comprehensive tourism promotion policy. And, it's something that we could use.

Tourism really is a balance of trade issue on an international basis. It's an export business, where importing dollars are Deutsche marks, are pounds sterling, into the United States when we bring visitors from overseas here.

Mr. STEARNS. Well, we are the most powerful country economically, militarily. We have a large expansive territory. It would seem to me the United States should be the No. 1 place for tourism in the world, and yet, what are we, third now?

Mr. NOCERA. Third.

Mr. STEARNS. Third, behind Spain and France.

And, Spain and France are higher because they advertise so much more?

Mr. NOCERA. That is correct. They have well-established—

Mr. STEARNS. You say that's-and I'm not asking Mr. Nocera this question, any of you can contribute here, I mean is there a reason why we are not No. 1? Is it just dollars that are being expended by these other countries, maybe Mr. Stewart, the perspective from New York City?

Mr. STEWART. I think that's certainly a very important factor. As I indicated, the trade surplus that the travel and tourism industry provides to this country currently is \$17 billion, but over the last 5 years that's dropped \$9 billion, and I think that's important to stress because—

Mr. STEARNS. \$17 billion to \$9 billion?

Mr. STEWART. [continuing] it dropped \$9 billion from 1996 it was at \$26 billion, in the year 2000 it is now \$17 billion.

It's important to note that as our trade deficit of this country continues to widen, it is a mystery, quite honestly, to members of the travel and tourism industry why the government is not focusing on an industry that is actually providing a positive balance of trade. And clearly, marketing and promotion is a critical step to regaining some of that international market share.

International travelers, on average, spend six times as much as domestic travelers. You may even see this yourselves when you travel to another country, I see it with my own travels, you tend to shop more and spend more money than you do when you are in your own country. So, what we know is that marketing does work, and that if we did invest money, as these other countries have, we would, in fact, capture a greater share of this market.

Other countries, who have increased their travel and tourism promotion budgets, have seen an increase in international visitors to those destinations.

Mr. STEARNS. Mr. Lounsberry, international, you are here also with the Travel Industry Association.

Mr. LOUNSBERRY. Yes.

Mr. STEARNS. Would you agree that the international travel pattern has changed since the terrorist attack? You would say yes, but it looks to me, from what Mr. Stewart says, that it was \$26 billion in the year 1996, Mr. Stewart you said, and now it's \$17 billion in the year 2002, and is most of that in the international travel?

Mr. LOUNSBERRY. We've been losing market share for the last 10 years. We've lost, in the last 10 years, 23 percent of the world international market share over the past years. And, what's happening over the past 10 years, and what it is, is these other countries, France, Spain, have increased their expenditures and they are taking business away from the United States, through aggressive travel industry promotion.

Mr. STEARNS. And, how much is Spain spending a year?

Mr. LOUNSBERRY. I don't have the exact number on that.

Mr. STEARNS. If you could provide us how much Spain is spending a year and how much France is spending, that would be very helpful to be part of the record, so that we could-because Mr. Foley and Mr. Farr have a very good bill, what we are hearing, though, is that this is a larger problem that we've got to think about, particularly in light of the fact it's gone down almost, you know, 60-70 percent since 1996, and we're third behind other countries.

And, this would be immediate stimulus to this economy, and, Mr. Sternberg, I guess I would ask a question for you, which is, perhaps, a little bit more toward Washington, DC, where do you see the largest decline in your restaurant dining, is it from the business customers, local dining customers, or leisure travel?

Mr. STERNBERG. Mr. Chairman, I also serve as Chairman of the Washington Convention Tourism Foundation, and I will tell you that the tour operators in the DC area are just devastated by this all. And, I think being spring you would know how usually you have school groups through here all the time. When is the last time you saw a school group up here on the Hill? There are no school groups coming up here this year.

We are very fortunate we are getting 100,000 Girl Scouts coming in June to Washington, DC, which is a huge-it's the first group of kids coming to DC since September 11. It's a very, very important event.

I would also add, Mr. Chairman, that I feel that this \$100 million proposal is very important to do now, while a comprehensive plan is being put together. I don't think this should be an either/or.

Mr. STEARNS. My time is expired.

The ranking member, Mr. Towns.

Mr. TOWNS. Thank you very much, Mr. Chairman.

Let me begin with you, Mr. Sternberg.

You indicated something, and I didn't quite understand it, you said that for every \$1 that generates \$2.13. Could you walk me through that?

Mr. STERNBERG. The specific math, no, but what that means, Mr. Congressman, is that for every dollar being spent in a restaurant that restaurant is spending money on employees, it is spending money with the local produce company, with the local fish company, with the carpet cleaners, et cetera, so that all the industries related to the restaurant industry, it's created an economic stimulus throughout the economy.

Mr. TOWNS. And, I guess for New York also parking cars, too, huh?

Mr. STERNBERG. Absolutely, and parking tickets.

Mr. TOWNS. Okay, now it's clear.

Let me sort of ask, switching places here for a moment, you know, I understand the \$100 million now, but what would you see in a comprehensive, you know, legislation, what would you see in terms of what needs to be done to sort of fix this thing. You know, because we are getting-and the reason I raise the question, the fact that we are constantly talking about the possibility of another attack, so what do we do to sort of balance off and to be able to sort of make this work? Do you have any ideas?

Yes?

Mr. LOUNSBERRY. I think the idea that the Chairman brought up, as far as a comprehensive, really a national tourism organization, that is the marketing umbrella on behalf of the United States as marketing the United States brand would be the addition to this bill, which this bill, I think, becomes a part of a larger organization. This becomes the potentially, you know, call it the co-op State marketing portion of a larger entity, where you have all of this coordinated so that as we market outside the United States to return our market share loss that's coordinated and you have that umbrella brand that gives continuity to the advertising campaigns or programs that are executed on behalf of the United States.

So, I think this is a very important critical piece to a larger national tourism entity, which is the sole entity for marketing the United States worldwide. That's what I would see, I think the idea, this is a terrific idea. I believe it should, ideally could happen immediately, but I think it would then fold into a larger idea of a national tourism organization that puts us on par with the rest of the world, as far as marketing the United States brand, and bringing the States in under that brand, because some of the States are, an example, California would be more interested in international travel from the Orient, whereas some of the East Coast markets more interested in programs from Europe, so it's a way to have a worldwide campaign that is well balanced, well orchestrated, and consistent, so that it doesn't become kind of a disjointed effort, that we have a consistent voice and that we are marketing this terrific travel product.

Mr. TOWNS. I'd like to hear from each one of you on this.

Yes?

Mr. STEWART. If I may, Congressman.

Mr. TOWNS. Sure.

Mr. STEWART. We are here this morning talking about a tourism marketing promotion act, but I think the issue here really goes beyond that, and that is to focus on the travel and tourism industry itself, the Nation's second largest industry.

The countries that we compete with, by and large, when you are head of the tourism industry for that country, it is a cabinet-level position. The United States has no position at that same level. What we really need to focus on, beyond a specific marketing program which is clearly critical, is how do we sustain the focus on this very important industry that the Nation is now focusing on, sadly due to the events of last fall.

As I mentioned earlier, the Travel Business Roundtable has suggested the creation of a Presidential Advisory Council on Travel and Tourism. Certainly, Congress can create some sort of entity as well, because the issues really go beyond simply marketing and getting international visitors back, which I agree is absolutely paramount. But, as has been discussed this morning, there are instances beyond our control that could have impacts on that.

There are other regulatory issues, tax issues, that are in play day in and day out affecting the travel and tourism industry, and what we need to do is really find a way to maintain that focus on the industry and ensure that we continue to sort of foster this industry, which as I stated in my testimony, not only creates jobs, but generates significant tax revenues for the Federal Government, for State governments, for localities. And, what we've seen across the country as well is, this is an engine for economic development in cities, and small towns, and rural areas, and that really is sort of the larger context. And, I think it's important to take this opportunity, as we move forward, to keep the focus on the industry as a whole.

Mr. TOWNS. Mr. Sternberg?

Mr. STERNBERG. Thank you.

Mr. TOWNS. Thank you.

Mr. STERNBERG. I would agree with my colleagues. The idea of putting together a comprehensive plan, promoting the United States as a destination on to itself, is very, very important.

Of course, selfishly, I'd like to see a lot of that go to promoting travel to the Nation's Capitol, but this is the Nation's Capitol, this is the Capitol of democracy, and I think there is a message to be sent out to the whole world about the importance of the Nation's Capitol, but more so, to promote travel to the United States is very, very important.

Our industry creates jobs. That is a tremendous economic stimulus. And, just on a local scale, as I mentioned, we raised a few million dollars here after the events of September 11 to promote travel and tourism to Washington, DC, it paid off. We have people back to work, where initially most of the industry was laid off right after September 11, they are all back to work now, or mostly back to work now. And, it's making a huge difference.

I believe originally after September 11, the estimate from the CFO's office of the District of Columbia was that the impact would be something along the lines of \$200 million. Because of the efforts of the marketing, the marketing dollars being put toward the program, that has been re-estimated to be a deficit of \$20 million. There's certainly an impact there.

Mr. TOWNS. A tremendous savings, yes.

Mr. Nocera?

Mr. NOCERA. My comment would be that I think that there is a very wonderful opportunity here for the Federal Government and for the private sector to really think outside the box, and to come up with some very creative programs.

I would tell you that the public/private partnership that Florida has had for 6 years now has worked wonderfully well. Through this public/private partnership, and the Florida Commission on Tourism, we have 28 members of the tourism industry from around the State of Florida, they are, indeed, some of the best and brightest tourism marketers in the state. And, by us being able to tap in to their expertise, we have been able to come up with programs that have truly been excellent.

I would suggest that a public/private partnership on the Federal level might be a very interesting idea to look at.

Mr. TOWNS. All right.

So, let me make certain I understand. You are saying that this legislation, we should move forward with it as fast as we possibly can, but at the same time, in terms of the Chairman's comment, that we should look at a comprehensive approach to dealing with the problem. Is that the message I'm getting from all of you?

Mr. NOCERA. Yes, sir.

Mr. LOUNSBERRY. Absolutely.

Mr. TOWNS. Okay.

In particular, interest to the Federal Government was promoting heritage, of American's heritage, and patriotism, should this legislation give priority to the promotion tourism areas of significance to America's heritage, this having the dual purpose of promoting tourism and also nationalism at the same time? Should we give these kind of things consideration, or should we just put that aside and then let whoever is in charge of this national make a decision in terms of, you know, how this is dealt with?

Mr. STEWART. Are you talking about the bill currently before the committee?

Mr. TOWNS. No, more than that, going beyond that, you know, I mean in terms of the fact that, you know, there is certain sites that we feel that are very important that we'd like for people to see, because you are promoting, you know, our country, and what it's all about, and, you know, to be specific, you know, in terms of giving a couple examples, you know, I would say the Statute of Liberty in New York, you know, and other things like that that you would want people to sort of come and to see, and that we should sort of spend extra kind of time and energy in terms of getting people to do that, because we also want to promote certain other things, you know, at the same time.

Mr. STEWART. I would leave that personally to the marketers and the experts. I think there is not one simple reason that everyone will be motivated to travel for, so my guess is, you would have to have several different kinds of pitches for different kinds of markets. Again, I'd leave that to the marketing experts, you would do focus groups, you would do research, you would see what motivates people.

But, to your point, I think one of the beauties of travel and tourism is that there are so many different types of things to see, to visit, to enjoy, that that is why it's so important to have this kind

of marketing program, so that we can touch upon all different people who are motivated for different reasons. Some people love coming to New York City, the urban centers, to see the Statute of Liberty and others. There's a great amount of heritage tourism throughout the country, agricultural tourism we've learned about, patriotic tourism. There's many, many different things to see across this country, and let's get the dollars and then have the experts figure out how to spend it.

Mr. TOWNS. All right, thank you.

Yes?

Mr. STEWART. I would just add, I think your point is very valid from the standpoint of, particularly, from the international standpoint. A lot of visitors, they come to America to see America, to see and feel our American values, our way of life. They come to see, not necessarily all the manmade places that we have, but as much the natural beauty and really our way of life. So, I think it's, and I agree, it's something that you would certainly test from a marketing advertising standpoint, but I think it's certainly a very strong piece of how this evolves, as to what our product is, what our travel product is that we would be bringing together under an umbrella organization.

Mr. TOWNS. Right, thank you.

I have just one more quick question.

You know, and I think this is to Mr. Nocera, I was interested in your comments that the State of Florida, at this particular time, has increased the amount of money that it is spending in terms of advertising. What happens in most cases, and, of course, the gentlewoman from Colorado even pointed it out, that when you have sort of budget crunch the first thing that goes is the advertising budget. I mean, how did you convince your state, or who convinced your state, that this was a smart thing to do, which it is a smart thing to do, because that's the time you spend, you know, to advertise, when you find that things are going in the wrong direction.

Mr. NOCERA. I would certainly give credit to our Governor, Jeb Bush, whose leadership has been just phenomenal throughout this entire problem time that we've been going through. And, it was Governor Bush who came forward and offered to redirect \$20 million of his budget to be able to provide this cash infusion for tourism marketing, with the approval of the legislature. And, that has shown just great leadership, and it's been a great program.

Mr. TOWNS. Am I correct in assuming that that happens in most cases, right, when you have a budget crunch, the first thing that goes is advertising.

Mr. STERNBERG. Well, Mr. Congressman, if I may.

Mr. TOWNS. Yes.

Mr. STERNBERG. Actually, the basic business tenet is that when sales are down you better increase advertising, and that's what we are saying here.

Mr. TOWNS. Yeah. But, does that happen, though, because I was listening to my colleague, Congresswoman DeGette from Colorado, who said that, you know, they got rid of advertising. And, of course, it seemed to me that's the wrong thing to get rid of.

Mr. STERNBERG. Absolutely.

Mr. TOWNS. You know, and that's—

Mr. STERNBERG. And, she said it took them 8 years to realize they made a mistake.

Mr. TOWNS. Yeah.

Mr. LOUNSBERRY. And, it was a wonderful windfall for Utah.

Mr. TOWNS. Thank you.

I yield back to the Chairman.

Mr. STEARNS. Thank the gentleman.

The gentleman from Oregon, Mr. Walden.

Mr. WALDEN. Thank you, Mr. Chairman.

You all just keep talking about how you need to advertise in a down economy, because in my other life I'm in the radio business, so I really like this talk about the need to increase your advertising budgets. I happen to also believe in that concept as well.

I also appreciated your comments about seeing the natural wonders, and while I want people to come visit our Nation's Capitol and admire our seat of government, I want them also to think about Thomas Jefferson, the great State of Virginia, but, moreover, what he facilitated with the expansion of our country through the Lewis and Clark expeditions, which, by the way, will be celebrated next year in its 200th anniversary all the way out to the end of Oregon Trail in Oregon, and that's a natural wonder which doesn't require a lot of capital construction. You just come see what nature did, and spend a lot of money while you are there.

I have a question about this legislation specifically, because I see that while I thought our State was fairly aggressive in its marketing standards, we're fourth from the bottom, which makes me wonder if some of what we do is more in partnership with the local fund-raising that occurs mainly, frankly, through a hotel/motel tax in most communities. I'm wondering about how other States do that, because I see these numbers here, you know, Florida at \$10 million, and we get another almost \$6 million out of this bill. Oregon is at, I think, \$750,000 or something, and we get \$420,000. Does Florida, for you who are from Florida, and these other States, is it pretty standard that it's the local sort of fund-raising that goes together with a State match, or is it more reliant on what the State does?

Mr. NOCERA. Our whole reason for being is to provide, first of all, an umbrella to market the State and for the tourism industry to come under that umbrella and join with us in marketing Florida. We protect and build the brand of Florida, and we help and assist the tourism industry for them to be able to develop their own individual brands and provide marketing programs for their own individual businesses.

Our funding, on a local level, if I was speaking for the Greater Orlando Convention and Visitors Bureau, Orlando Orange County Convention and Visitors Bureau, they receive their funding from, indeed, what's called a bed tax, a local option bed tax. On a State basis by State statute, our public share of dollars that comes to VISIT FLORIDA comes from a surcharge on rental cars in the state.

Mr. WALDEN. Oh, okay.

Mr. NOCERA. So, there's at least two funding mechanisms that are in place within the State of Florida, one that's basically—

Mr. WALDEN. But, does your-excuse me a second, does the money raised locally flow to the State and then come back, or is it—

Mr. NOCERA. No, it does not, it stays-it's a county issue.

Mr. WALDEN. I see, so those numbers would not be reflected in the data here we have.

Mr. NOCERA. That is absolutely correct.

Mr. WALDEN. That's probably the way it works around the country. All right.

Mr. Stewart, I believe you are the one who said there are a lot of other issues affecting the industry and its ability to attract tourists and all, including regulatory and tax issues. While that's not the subject of our discussion today, I am curious about that as well, if you might just take a minute to elaborate on a couple of the major impediments that you see that we might also need to focus on.

Mr. STEWART. Well, one area in tax policy that I think could help the overall travel and tourism industry, and this would really deal with the domestic aspect of it and would also be beneficial regardless of any other incidents that may occur, unfortunately, due to terrorism or other world events.

As the members know, the business meal and entertainment tax deduction had been reduced over the years, and the spousal travel tax deduction has been eliminated.

Mr. WALDEN. Right.

Mr. STEWART. Both of those items, with an upward revision, would do much to stimulate travel, focusing on the business travel, on the business meal deduction.

The reason it's so important is that those dollars ripple throughout the economy. When somebody is going out on a business-businesses have cut back both on advertising, but as well on travel and entertainment.

Mr. WALDEN. Sure they have.

Mr. STEWART. And, you want to give people incentives to start that activity again. Increasing the business meal and entertainment deduction would do that. And, on the spousal travel, what we have is when people go to meetings, or conferences, or conventions, if you give them an incentive to bring their spouse or partner with them, you not only have one person traveling, you now have two persons traveling. And again, two people flying on an airplane, there are two people staying in a hotel, two people eating in a restaurant, two people shopping, those dollars ripple throughout the economy in ways that we really haven't seen in any other sector of the industry.

So, those are just two examples in tax policy that I think we can focus on.

Mr. WALDEN. Okay. That can also be very expensive if you are the other spouse in the conference attending the meetings when the spouse is not, and has a lot of free time to shop. There is this other side, the wallet.

Mr. STEWART. We'd love to have them in New York and encourage that activity.

Mr. WALDEN. My time is expired.

I appreciate your testimony today, it's very helpful. This is a very important industry, not only to my state, but to our country, and

to the people who work in the industry, I know how hard hit you've been, to the extent I can understand that, and we wish you well and we'll do what we can to be helpful.

Thank you.

Mr. STEARNS. I thank my colleague.

I just would add before we close, and my ranking member might have some closing comments, too, but the Department of Commerce promotes goods, and they do that quite aggressively and the Export/Import Bank is spending money promoting goods. So, the United States has to realize that tourism is a product, just like any other product, and should extend that same kind of aggressive approach because that's dollars, and that's jobs, and that's a clean industry.

The other idea that Mr. Towns touched on, which is very fundamental, is what we are trying to do is promote democracy. So, the larger issue when you look at tourism is not just jobs for the restaurant and hotel industry, but you are promoting a way of life, and you are promoting democracy in a larger sense, prosperity, freedom and something that all countries should view. So, when Mr. Towns says the Statute of Liberty is one, that's one of many, in terms of—

Mr. TOWNS. Only because that's in New York.

Mr. STEARNS. [continuing] that's right, New York.

But, his point is well taken, is that you can talk tourism, but we could talk about promoting our way of life and the importance of it. And, when people come over here and see it, then they go back and say, this is the kind of lifestyle I want. These are the kinds of choices I have.

Joshua Hammond wrote a book, "The Seven Cultural Forces That Define Who We Are As Americans," and the No. 1 was choice. We want choice in our food market. We want choice in our clothes. We want choice in automobiles and everything.

Most countries don't have that choice, particularly, in some of the Third World, so, obviously, when they come over here they'll see that and they'll take that back.

And, many people think that's why the cold war, Russia, collapsed, is because the people saw what was happening here, and the Presidents, Gorbachev would come over here and see it and he'd say, our system is not working, this system is working, we should privatize or perestroika and move toward that.

So, I'd like to conclude by saying that I want to thank you very much for coming, and your waiting through our vote, but you are on a mission. It's a mission to promote tourism, but it's a larger mission, to promote our way of life and get international travelers to see this. And, in so doing, we'll create a more stable society, because more countries will have the freedom and the three pegs of cultural identity, plus democracy, plus free enterprise. And, with those three we'll have a stable type of environment, and democracies don't go to war, they usually defend, and it takes a long time to promote democracy. And, if we can promote that, we have a big mission here.

So, I'll ask my ranking member.

Mr. TOWNS. Thank you very much, Mr. Chairman.

Let me thank all of you for coming and testifying, and you have convinced me that we definitely need to do more.

So, Mr. Chairman, I'm very interested in putting together with you that comprehensive bill to be able to sort of look at some areas that we did not talk about, that this bill does not actually address. So, I'm hoping that we can do that, and do it in a timely fashion, recognizing that we want to get this out there as fast as we can, sort of get it moving, but at the same time don't look at this as a solution to the problem, but come back with a comprehensive bill that, you know, we hope will be able to address some of the other issues that we've talked about here today.

So, thank you very, very much, and thank you witnesses, and I yield back.

Mr. STEARNS. I would suggest the Travel Industry Association of America, if they have sort of a comprehensive plan that they would like, the National Restaurant Association, they have been in my office, I have seen their long list of things, but I think that if we can come down with something that you would recommend as a first start that would be helpful. And, obviously, New York and Florida would be helpful if you want to make part of the record anything that would help us to come up with a long-term strategy, because I think we sort of dropped the ball here, and with what we hear on the Meet the Press and every day, it gives concern to me for the long term survival of tourism if we don't have in place this plan.

So again, thank you very much, and the subcommittee is adjourned.

[Whereupon, at 11:17 a.m., the subcommittee was adjourned.]

[Additional material submitted for the record follows:]

PREPARED STATEMENT OF JOHN P. CONNORS, EXECUTIVE VICE PRESIDENT FOR
PUBLIC POLICY, AMERICAN HOTEL & LODGING ASSOCIATION

Chairman Stearns, Ranking Member Towns, and members of the Subcommittee, my name is John Connors and I am the Executive Vice President for Public Policy of the American Hotel & Lodging Association. I am pleased to be able to give this testimony on H.R. 3321, the American Travel Promotion Act (ATPA).

The American Hotel & Lodging Association is a 92-year-old federation of state lodging associations throughout the United States with some 13,000 members worldwide, representing more than 1.7 million guest rooms.

AH&LA provides its members with assistance in federal governmental relations, operations, education, and communications, and we lobby Members of Congress to provide a business climate in which our industry can continue to prosper.

The lodging industry is an integral part of the economy in every congressional district in the United States. The industry employs nearly 2 million people, and the travel and tourism industry is the first-, second-, or third-largest employer in 29 states. The tourism industry pays \$99.5 billion in federal, state, and local taxes each year.

No sector of the U.S. economy was more damaged by the terrorist attacks and subsequent recession than the travel and tourism industry. While some researchers have predicted a quick recovery, others foresee a continued economic struggle. For example, a study released this month by InsightExpress, an independent online market research firm, estimates that 40 percent of Americans will forgo a vacation this summer. The data relating to business travel is even more stark.

The following findings by the Travel Industry Association paint a bleak picture for the industry:

- The September 11 attacks, combined with an already weak economy, hit the travel and tourism industry particularly hard. In the fourth quarter of 2001, forecasting predicts a 12 percent decrease in business travel and a 9 percent drop in leisure travel, compared to the same period in 2000.
- In 2000, the U.S. travel industry generated \$584 billion in revenues, including international passenger fares, from domestic and international travelers. These

travel revenues generated 7.8 million jobs for Americans, with \$173 billion in payroll income, and \$100 billion tax revenues for federal state and local government.

- Projections foresee a \$39 billion loss in spending by domestic and international travelers during 2001.
- Total domestic travel volume by Americans is expected to decrease 3.5 percent and total inbound arrivals are projected to decline nearly 13 percent for full-year 2001.
- Total domestic and international travel-generated employment is expected to show a dramatic decline in 2001. According to recent reports, 453,500 jobs directly related to travel and tourism will be lost this year, down 5.6 percent from 2000. An additional 74,000 jobs will be cut in 2002 for a two-year total of 527,400 jobs lost from 2000 levels.

Representatives Mark Foley [R-Fla.] and Sam Farr [D-Calif.], co-chairmen of the House Travel and Tourism Caucus, have shown great bipartisan leadership in proposing this new idea for tourism promotion which would help ensure the future vitality and growth of the travel and tourism industry.

Each state currently has an office responsible for promoting that state as a travel destination. H.R. 3321 would leverage these existing state funds by providing \$100 million to be distributed among the states for travel promotion based on their current budget.

According to the sponsors, the features of the bill include:

- ATPA would provide \$100 million for a 50/50 grant program to state and territory travel and tourism offices to promote travel and tourism through advertising.
- This legislation establishes a formula where state and U.S. territory travel and tourism offices would be eligible for funding based on the amount of money spent on advertising in 2000 (a percentage of the total national travel and tourism advertising expenditures). For example: Hawaii spent \$12 million in 2000 on advertising out of \$168 million dollars spent nationally, or 7 percent. It would then be eligible for 7 percent of \$100 million or \$7 million, under ATPA.
- Every state and territory would be eligible for a base amount of \$100,000. This "floor" would ensure every state and territory would have access to funds, regardless of their relative percentage to national expenditures on travel promotion advertising.
- The program would be open for 9 months, beginning on the day of enactment with all excess funds returning to the Treasury after that period.
- The program would be administered through the Department of Commerce.
- State and territory travel and tourism offices would have complete autonomy in spending the money as long as it was directed towards travel promotion advertising as defined in the legislation.

We believe the American Travel Promotion Act's approach would be particularly effective because:

- **It allows states to use the grant funds for marketing and promotional programs that they find most effective in touting their unique attractions and destinations;**
- **It contains a sum certain of appropriated federal funds to be distributed during a finite period of nine months to each state and territory according to a simple, non-subjective formula; and**
- **It creates no new bureaucracy and would not require any additional federal employees to be hired. It would simply supplement the states' existing tourism promotion budgets.**

ATPA will be a tremendous boost to the travel industry in every state in the Union. Putting money into the hands of the state travel promotion offices to leverage their existing efforts will help the entire industry get back on its feet.

We urge Congress to quickly pass this important legislation.

PREPARED STATEMENT OF MARK McDERMOTT, CHAIR, WESTERN STATES TOURISM
POLICY COUNCIL

These comments are respectfully submitted by the Western States Tourism Policy Council (WSTPC) with regard to the May 23, 2002, hearing by the Subcommittee on Commerce, Trade and Consumer Protection to consider H.R. 3321, the American Travel Promotion Act. The WSTPC strongly supports H.R. 3321. We believe this legislation is vitally needed to stimulate a lagging travel and tourism industry. The full and complete revival of travel and tourism will mean jobs and economic growth for the entire nation.

The WSTPC is a consortium of thirteen western state tourism offices: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming. The mission of the WSTPC is to advance understanding and support for public policies that enhance the positive impact of travel and tourism on the economy and environment of each of its member states and their communities.

In all thirteen of these western states tourism is a dynamic and vital part of the economy. It ranks among the top three providers of jobs in each western state and generates billions of dollars in payroll and taxes in the West. The economic vitality of hundreds of western communities is linked to tourism.

As is well known, few industries were more seriously damaged by the tragic events of last September 11th than travel and tourism. Already experiencing a downturn as a result of the general economic slowdown, American travel and tourism was brought to its knees by 9/11. Although it has rebounded from its lowest points, recovery has been slow and inconsistent. International travel to the United States remains severely depressed.

The capacity of state tourism offices to support and accelerate the recovery of tourism is now being hampered by the most severe state government budget cuts in perhaps two decades. The National Governors Association and the National Association of State Budget Officers report that state budgets are in the worst shape in twenty years.

In the thirteen western states, domestic tourism (from outside the state) has declined 5%-10% since 9/11 and international tourism has declined more than 40%. The budgets for nearly every western state tourism office has been sharply cut—as much as 25%.

The protracted fall in international tourism is particularly distressing because it has had historically such a positive impact on our national balance of trade. In the year 2000, for example, foreign visitors to the United States provided a \$14 billion trade surplus for the United States. Although the entry of international visitors into the United States has become more difficult because of necessary and understandable national security requirements, it is vitally important to continue to encourage legitimate visitors not only for the positive economic impact but to show the world the strength and diversity of our nation.

It should be further noted that, because the United States does not have a Federal tourism office to market and promote our nation as an international travel destination, state tourism offices have the primary public sector responsibility of marketing the United States as the premier global tourism destination. We believe most states will primarily use the grant money authorized by H.R. 3321 to boost their international marketing efforts, although the bill wisely leaves decisions about marketing strategies in the hands of each state tourism office.

The member state tourism offices of the Western States Tourism Policy Council urge prompt passage of H.R. 3321. Congress could make no wiser investment in economic recovery—in jobs and economic growth.